DRAFT STATEMENT OF ACCOUNTS 2010/11
(Subject To Audit)

PLYMOUTH
CITY COUNCIL

Contents

EXPLANATORY FORWARD TO THE STATEMENT OF ACCOUNTS 2010/11

Introduction

The Statement of Accounts is published to show local people and others what services the Council has spent money on during the year and how these have been funded and show the results of the stewardship and accountability of elected members for the resources entrusted to them. Inevitably it contains technical language and a glossary to help explain some of the terms can be found at the back of the publication.

The Accounts and Audit (Amendment) (England) Regulations 2009 require the Council's Section 151 Officer, the Director for Corporate Support, to certify that the accounts present a 'true and fair' view of the financial position of the Council as at the 31 March 2011 and its income and expenditure for the year ended 31 March 2011.

Although the Statement of Accounts shows the financial outturn position for 2010/11 and Balance Sheet position as at 31 March 2011, the Council is required to take into account items occurring after 31 March 2011 if they would have a material effect on the figures presented and to publish the relevant date. The Statement of Accounts therefore includes all post Balance Sheet events up to and including the 30 June 2011.

The Statements are required to be prepared in accordance with the Code of Practice on Local Authority Accounting, which is represented by two key documents:

- Code of Practice on Local Authority Accounting applicable for the 2010/11 accounts (The Code)
- The Best Value Accounting Code of Practice (BVACOP)

These codes are updated annually by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council's statements have been prepared with due regard to the following:

Quality of Information.

Relevance – providing financial information that is useful for assessing the stewardship of public funds and for making economic decisions.

Reliability – providing financial information that properly represents what it purports to represent, is neutral, free from material error, is complete within the bounds of materiality and which has been prudently prepared.

Comparability – is consistent and can be compared with the previous year's activity.

Understandability – allowing the reader to interpret the financial position of the Council.

Materiality - an item of information is material to the Financial Statements if its misstatement or omission might reasonably be expected to influence assessment of Plymouth City Council's stewardship, economic decisions or comparison with other organisations, based on those financial statements.

Overriding Accounting Concepts:

Accruals – Financial Statements other than the Cash Flow Statement are prepared on an accruals basis.

Going Concern – The accounts are prepared on the assumption that Plymouth City Council will continue in operational existence into the foreseeable future i.e. there is no intention to significantly curtail the scale of the operation.

Legislative Requirements – It is a fundamental principle that where specific legislative requirements and accounting principles conflict, legislative requirements take precedence.

The Code 2010

The Code of Practice on Local Authority Accounting 2010 is the first to be based on International Financial Reporting Standards (IFRS) and is based on approved standards issued by the International Accounting Standards Board (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except where these are inconsistent with specific statutory requirements.

The move to an IFRS-based Code from a UK GAAP-based SORP has resulted in a number of significant changes in accounting practice. The key changes applicable to Plymouth's accounts include:

1. Main Financial Statements

The main financial Statements have changed both in format and name. The Statements have generally been simplified with a greater reliance on the detail within notes to the accounts. There is a greater focus on long term and short term assets and liabilities on the Balance Sheet. Short term assets and liabilities represent those expected to be received or settled in the next 12 months after the reporting period. This has led to a number of assets and liabilities to be split on the Balance Sheet. Examples include insurance and general provisions.

A third Balance Sheet is required in order to present the restated balances as at 1 April 2009 and to support the movement in year of the comparative figures in disclosure notes.

2. Key Accounting Changes

a. Grants and Contributions

- Grants and contributions for capital purposes are recognised as income immediately rather than being deferred and released to revenue to match depreciation providing there are no outstanding conditions that might result in grant repayment. Regulations do not permit capital grants and contributions to score against the Council tax and these are required to be reversed out to Balance Sheet reserves in the Movement in Reserves Statement;
- Revenue grants with no outstanding conditions that are earmarked for expenditure but not utilised at year end are posted to an earmarked reserve rather than carried forward through an accrual;
- Revenue and capital grants with outstanding conditions that may require repayment are not released to revenue but carried on the Balance Sheet as a creditor

b. Accounting for Leases

- Property leases are classified and accounted for as separate leases of land and buildings;
- The '90%' test previously applied to determine the classification of a lease between operating and finance lease has been replaced by more subjective analysis. This has resulted in the reclassification of a small number of property leases where the Authority is a lessee and resulted in many of the Council's vehicle and equipment leases being reclassified from operating to finance leases;
- There is a need to examine the substance of Long Term Contracts to see if they meet the criteria of service concessions or contain an embedded lease. Embedded leases have been identified in the Amey and Virador contracts. The annual payments under these contracts have been analysed to separate the lease elements from the service payment where appropriate

c. Accounting for Non-Current Assets

- Operational assets have been renamed as Property, Plant and Equipment;
- Investment properties are now recognised as a separate asset category and are measured at fair value, with gains or losses, including rental income, recognised as financing and investment income. Previously gains or losses on revaluation were recognised through the revaluation reserve and rental income through the relevant service line. There is a much tighter definition of an investment property resulting in a reclassification of a number of the Council's properties as property, plant and equipment and attracting an annual depreciation charge;

- There is a new asset category for Assets held for Sale. This category generally only applies to those assets actively being marketed for sale. Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property Plant and Equipment;
- There is a greater emphasis on component accounting and a greater emphasis on derecognising parts of an asset that are replaced;
- Impairment losses are now taken to the Revaluation Reserve, and only to the Comprehensive Income and Expenditure Statement when there is no balance on the reserve relating to that asset. Previously impairment losses relating to a decline in economic conditions were taken straight to the Income and Expenditure Statement

d. Employee Benefits

- All employee benefits are accounted for as they are earned by the employee. This has resulted in accruals for items such as holiday pay where annual leave has not been taken by 31 March. Regulations allow the impact to be reversed out to a holiday pay accrual account;
- There is a requirement to account for all termination benefits, eg redundancies, when they are agreed rather than when they are paid. This has resulted in additional charges to the 2010/11 accounts but this has been met from the redundancy reserve

e. Group Boundary

- There is a change to determining the group boundary and the definition of associates is based on the ability to control rather than actual control. This impacts on the related party disclosure as well as the formal consolidated group accounts.

The changes in accounting practice are required to be applied retrospectively and the accounts for 2010/11 together with the relevant disclosure notes have been restated. Note 2 to the accounts page 68 provides more detail of the changes and the impact on the reported figures.

3. Disclosure Notes

A number of new disclosure notes have been introduced and for others the format has changed. There is a greater emphasis on looking forward rather than the traditional retrospective look at the year just passed. The most significant new notes include:

- Disclosure of future accounting standards that have been published but not yet approved outlining the impact of the accounting change on future years accounts;
- Assumptions about the Future and other major sources of estimation uncertainty;
- Disclosure of judgments made by management in applying the accounting policies;
- Segmental reporting which reconciles the Council's Management Accounts to the Statutory Accounts;
- Termination Benefits.

There are also a number of extended or amended notes, the key areas being:

- Adjustments between accounting basis and funding basis;
- Property Plant and Equipment;
- Investment Properties;
- Intangible Assets;
- Assets Held for Sale;
- Impairment losses;
- Leasing;
- Pensions;
- Notes supporting the cash flow.

Other issues affecting the Accounts for 2010/11 - Group Accounting Boundary

There have been changes to the Council's group boundary for consolidated group accounts as follows:

- The Theatre Royal has been removed as a subsidiary with effect 1 October 2010 following the resignation from the Board of all Council Members. The group accounts therefore include a six month income and expenditure position for the Theatre and Pavilions and all assets and liabilities have been written out of the group Balance Sheet.
- The Council entered a Joint Venture agreement with the University to manage Tamar Science Park in March 2010. This company has now been included within the group accounts and the group Balance Sheet for 2009/10 has been restated to include the relevant assets and liabilities of the Company.

Overview of the Accounting Statements

A full list of the Authority's accounting statements for the year 2010/11 is set out in the contents page at the beginning of this document. The Statements contain a number of technical terms, many of which are explained in the Glossary at the end of this document. The main statements are explained below:

Movement in Reserves Statement (page 45)
This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' ie those that can be applied to fund expenditure or reduce local taxation and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance (and the Housing Revenue Account) for Council tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 46)
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with Regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

The Council incurred a surplus of (£16.299m) on the Provision of Services in 2010/11. This compares to a deficit of £517.292m in 2009/10. The significant difference is due to the impact of the stock transfer in 2009/10 and the resulting write-out of assets from the Balance Sheet, and a significant reduction in pension fund liabilities, in 2010/11 following the move from RPI to CPI for valuing liabilities.

The Council's Balance Sheet (page 47)
The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use, for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt. The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under Regulations'.

The Council's net worth at 31 March 2011 as represented on the Balance Sheet is £286.650m, compared to £132.223m at 31 March 2010. The improvement is due in the main to a reduction in the pensions liability of (£229.108m).

The Cashflow Statement (page 48)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

The Housing Revenue Account (HRA) Income and Expenditure Statement (page 164) and Movement in HRA Balance (page 165)

The Council transferred its housing stock to Plymouth Community Homes (PCH) on the 20 November 2009. These statements therefore reflect residual costs incurred by the Council during the year. Ministerial consent to close the HRA was granted with effect 31 March 2011.

The Collection Fund Account (page 175)

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council tax and non-domestic rates. The Collection Fund is a separate statutory fund, which details the transactions in relation to Non-Domestic Rates (Business Rates) and the Council Tax, and the distribution to preceptors and the General Fund. The Collection Fund balances are consolidated with the other balances of the Council (as the billing Authority) in the Council's Balance Sheet (page 47).

Group Accounting Statements (page 178)

The Council has interests in a number of related companies. The Group Accounts detail the financial results of the local authority group i.e., the Authority and its major subsidiaries, associates and joint ventures.

Review of 2010/11

The Council agreed its annual budget for 2010/11 on 1 March 2010 at £201.825m net and during the year both Cabinet and Overview and Scrutiny Management Board have received quarterly budget and performance monitoring reports identifying variances against the approved budget. The final report for 2010/11 was presented to Cabinet on 7 June 2011. The budget and subsequent monitoring reports within this explanatory forward are based on the Council's management accounts. At the end of the year a number of presentational and accounting entries are made to the management accounts in order to take account of the requirements of The Code and produce the statutory Statement of Accounts in a format consistent across all authorities.

Key performance issues during the year were:

- 3 schools transferred to Academies- Marine Academy and All Saints in September followed by Devonport High for Boys in March 2011. A further 7 schools transferred on 1April 2011.
- The year saw significant improvements in educational attainment across early years foundation stage as well as further narrowing the gap for pupils achieving 5 A*-C GCSE in English and Maths.
- New libraries were opened in Devonport and Estover.
- Action in the period to reduce waste and increase recycling included increased processing capacity; expansion of the garden waste scheme; expansion of recycling to some multi occupancy properties, and the introduction of new recycling schemes (e.g. low energy light bulbs and batteries) This increased the amount diverted from landfill by 1.86%.

- The target to reduce serious acquisitive crime, which includes vehicle crime and burglary, has been achieved. The Council also continued to perform well when compared to similar cities and are 2nd best in the family group for this crime.
- The performance of planning applications significantly exceeded targets set for 2010/11. Timeliness of processing major planning applications achieved 77.2% against a target of 60%, whilst minor applications achieved 81.5% against a target of 65%.
- The £20m East End Transport Scheme continues to be delivered and is on schedule for completion in November 2011.
- The Waste PFI Project's two and a half year procurement phase was successfully concluded in March 2011. The procurement was completed ahead of the agreed programme and within budget, and the resultant contract is valued at £436m.

The following pages summarise the Council's financial performance for the year and, where applicable, compares the management accounts to the statutory statements.

Table 1 shows the Council's net expenditure for 2010/11 across each of the main accounts as reported to Cabinet on 7 June 2011, prior to the statutory adjustments.

Table 1

Council's Overall Expenditure for 2010/11			
Account	**Approved Net Budget £000**	**Final Outturn £000**	**Variance from Net Budget £000**
General Fund Revenue Account	201,825	201,930	105
Trading Accounts	(2,461)	(1,998)	463
Housing Revenue Account*	0	200	200
Capital Budget	77,457	69,718	(7,739)

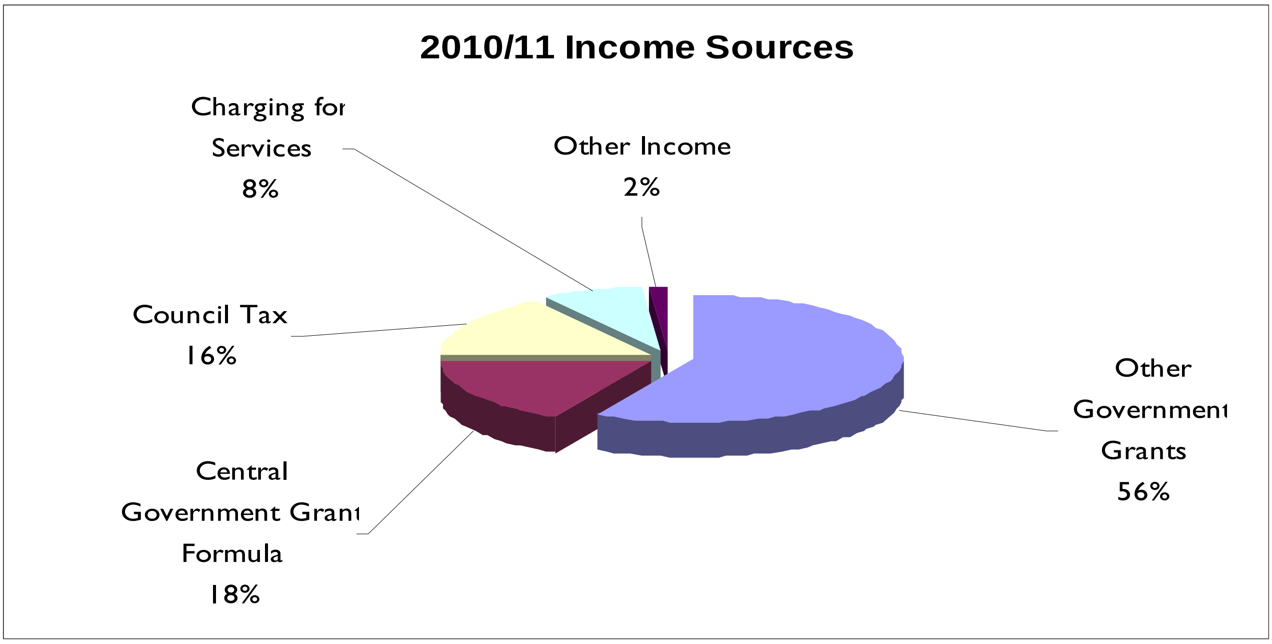
*Residual costs only – expenditure to be met from HRA Working Balance
Note: ( ) denotes surplus/favourable

General Fund Revenue Account

The General Fund Revenue Account forms the main element of the Council's expenditure and covers the majority of the activities of the Council. The Council set an annual net budget of £201.825m for the year and allocated this across its management structure. The Council's final net expenditure for the year was £200.299m, an favourable variation of (£1.526m). This changed to a deficit of £0.105m after allowing for transfers to/from provisions required for the statutory accounts and transfers to reserves as agreed by Cabinet at its meeting of 7 June 2011. The deficit for the year has been met from the General Fund Working Balance.

The revenue budget is financed from Council Tax, fees and charges, Government grants, external contributions and other income. The following diagram is helpful in understanding how the 2010/11 revenue budget was financed:-

Figure 1



The Council set a band D Council tax for the year of £1,244.67 at its meeting of 1 March 2010.

Directorate Outturn for 2010/11

Table 2 shows the performance of each Directorate against the approved budget for the year.

Table 2

General Fund Outturn 2010/11				
Directorate	**Latest Approved Net Budget £000**	**Actual Net Expenditure £000**	**Variation From Approved Budget £000**	**Variation From Approved Budget %**
Director for Children's Services	52,059	51,791	(268)	(0.51%)
Director for Community Services	111,050	112,405	1,355	1.22%
Director for Development & Regeneration	16,264	16,424	160	0.98%
Director for Corporate Support	31,820	31,309	(511)	(1.61%)
Chief Executive	1,887	1,730	(157)	(8.32%)
Corporate Items and Capital Financing	(11,255)	(13,360)	(2,105)	18.70%
Sub Total	201,825	200,299	(1,526)	(0.76%)
End of year transfers to/(from) specific reserves and provisions		1,631	1,631	n/a
Total General Fund Budget	**201,825**	**201,930**	**105**	**0.05%**
Transfers to/(from) Council's Working Balance		(105)	(105)	n/a
Final Budget Requirement	**201,825**	**201,825**	**0**	**0**

Note: ( ) denotes surplus/favourable

Cabinet set budget variation targets of no more than 1% overspend or 2% underspend for 2010/11 in line with previous years and the quarterly monitoring reports continued to report individual departmental variances. This was supplemented by detailed departmental performance scorecards which brought together variations in both budget and performance with the narrative within the scorecards intended to provide a high level overview with a focus on explaining corrective action where required. Although reporting has been on a quarterly basis, monthly scorecards were submitted to CMT and Cabinet Planning.

Whilst the final position for the year does show that the budget variation targets was exceeded in Community Services in terms of a budget overspend just above the target, this was more than offset by favourable variances in other areas as a result of specific management action to deliver a break even budget overall. Close monitoring of the budget enabled timely action to be implemented to bring the overall budget under control. The final variation at 0.05% adverse remains well within the target set.

During the year, Officers successfully negotiated the transfer of pre LGR debt of £33.665m, administered by Devon County Council, to the City Council. As a result of the transfer, Plymouth achieved net savings of (£1.122m) in terms of interest payable and the annual repayment of the loan liability in 2010/11 and will gain greater flexibility over the management of the debt with the option to repay/reschedule the debt at a later date when terms become more favourable.

In June 2010 the Government announced a series of in year spending reductions for 2010/11 which, for Plymouth, amounted to £2.5m. The Council deliberately aimed to reduce spend by £4m at that point to reflect any further changes in funding or Government policy over the remainder of the 2010/11 financial year. Achieving this saving in year with ongoing savings into future years would also significantly assist the Council with the challenges presented by the Comprehensive Spending review announced in October 2010. Whilst this amount had been taken in to account in future years budgets, the additional (£1.5m) in year savings was held as a contingency in corporate items against non achievement of the extra savings by departments in 2010/11 with a view that it would be taken into account as part of the end of year review of reserves subject to the final outturn if not required.

There were no other unusual or material items to report in the management accounts, although note 6 page 80 outlines material transactions in relation to the statutory accounts.

The main issues faced by the Directorates during the year were as follows:

<u>Children's Services:</u>
The department experienced pressure on it's looked after children's budget due to increased numbers compared to budget and increased costs of transporting children with complex needs. The department was also allocated an additional savings target of (£1.090m) in June as part of the budget reductions following the Government's emergency budget. A number of star chambers were held across the department in December and January with a clear objective of stopping or slowing down spend wherever possible whilst ensuring the safeguarding of children was not compromised and resulted in savings on staffing, consultancy, subscriptions, printing postage etc being achieved, as well as a drive to maximise spend from grants wherever possible. In addition, a range of unforeseen events occurred in the final month of the year including, increased free school meal income, savings on wrap around packages in Integrated Disability Services, favourable changes to Youth Grants, improvements to care leaver and adoption savings.

Whilst many of these actions are one-off, Invest to save proposals have been accepted and will be implemented to address the underlying cost pressures in the Integrated Disability Service moving into future years, and the Diversion from Care Strategy continues to drive financial and service improvements moving into 2011/12.

<u>Community Services:</u>
Community Services experienced pressures in Learning Disability services relating to long stay residential services and supported living, and an increase in short stay residential and nursing care. The transformation agenda continues to shape the future of adult social care services in Plymouth. Negotiations with Health Colleagues, who themselves are undergoing significant change, is helping to drive improvements to financial stability which will be of particular benefit from 2011/12 and beyond. Additional resources allocated in the Comprehensive Spending Review to Health for Social Care will be used jointly to help transform health and social care services across the city, with re-ablement being a good example of this.

As per other departments, Community Services continued to slow down or stop non essential spend across the department where ever possible in order to minimise the overspend.

Development & Regeneration:
The increased cost pressure of winter highway maintenance and reduced car park income was offset by a combination of savings within the transport service, which included concessionary fares.

However commercial rent activity suffered due to a number of units becoming or remaining empty which not only resulted in loss of rental income, but increased cost pressures through business rate liability. Utilisation of grant funding in the strategic housing service, combined with other savings and efficiencies in transport and across the department as a whole offset some of the impact for 2010/11 and there has been a focus on the letting strategy which will realise benefits from 2011/12.

Corporate Support:
A successful appeal to DWP against a housing subsidy potential reclaim contributed to the favourable outturn for the department. In the light of the forecast overspend across the Council as reported in December, the department sought areas to generate savings and income. Initiatives included a refund from renegotiating IT license costs together with a sale of surplus licences, a delay in the fibre installation due to accommodation moves and savings across the department in terms of vacancies. Increased costs of repair and maintenance of the corporate property estate were contained within the overall departmental budget, releasing the agreed budget top up of £0.650m to corporate items for reallocation.

Chief Executive:
Active management action to contain the spend in year across all budget lines led to a favourable outturn position. In particular savings were achieved in the communications budget from the reduced spend on Plymouth People, together with savings in consultancy, agency and contracted spend.

The Settlement announcement for 2011/12 has led to a significant reduction in Government grant going forward. Local authorities were also encouraged to implement a freeze on Council tax. Whilst this had been expected and plans were well underway to find budget savings, the front loading of grant reductions will increase the pressure on the budget over the next 2 years. Against this, the Council faces increasing spending pressures moving forward including an increase in the number of children in care and impact of the growing elderly population on adult social care budgets, waste disposal costs for the Council will significantly increase in the coming years, particularly in advance of the planned delivery of the waste to energy PFI scheme. Demand for Housing Benefits and personal finance advice has also significantly increased over the last 18 months, directly linked to the economic situation.

In light of this, and as an integral part of the financial health review for the year, Cabinet approved a number of transfers to/from provisions and reserves. The net effect resulted in a deficit for the year of £0.105m.

The more significant budget variations during the year and details of the transfers to /from provisions and reserves are summarised below:

	£000	£000
Staffing variances including capitalised salary savings		(1,374)
Savings from taking Devon debt in-house		(1,122)
Treasury Management activity other net variances		(315)
Stock Transfer residual costs- met from core budgets not reserve		2,202
Transfers to bad debt and insurance provisions		600
VAT Fleming recoveries		(289)
Centralised repairs costs contained within departmental budget		(650)
Cancellation of the Building Schools for the Future project by the Government		(300)
Pupil Access service increased complexity of need and increased routes		506
Increased placement costs for Children in Care		2,283
Renegotiation of contract in Youth Strategy area		(240)
Childrens HQ maximisation of grant funding		(612)
Reduced costs on in-house Fostering		(102)
Increased costs- residential and nursing care and supported living for learning disabled clients		2,097
Adult social care savings on in-house provided services		(592)
Reduction in costs relating to substance misuse clients		(292)
Contract reductions in Childrens social care		(171)
Additional NHS funding for adult social care		(796)
Increased costs of long stay residential and nursing care		579
ICT Information Systems refunds and sale of licences and other savings		(353)
Concessionary fares savings		(210)
Strategic Housing utilisation of grant funding and reduced spend on fees		(128)
Reduction in External Audit fees		(156)
Council Tax increased court costs recovered		(350)
Other (Net) variations and efficiencies across departments		269
Departmental Pressures		**484**
In-year budget reduction - contingency provision		(1,510)
Release of general contingency		(500)
Transfers to/from Provisions:		
Release of grants provision		(327)
Transfers to/(from) Reserves:		
HRA Working Balance	(1,592)	
Waste Reserve	900	
Redundancy Reserve	1,000	
Pensions Reserve	850	
Provisions for 2011/12 Budget Pressures		
Schools Demolitions	300	
Procurement	400	
Americas Cup	100	
		1,958
Final Outturn for year		**105**

Working Balance

The Working Balance at the start of the year was £11.517m. After taking into account the final deficit for the year and other budgeted net movements, the Working Balance at 31 March 2011 was £11.413m as follows:

	£000
Working Balance at start of year	(11,518)
Budgeted contribution to Working Balance 2010/11	(250)
	(11,768)
Less: Budgeted/approved transfers from Working Balance 2010/11-	
CDC contribution	250
Working Balance prior to year end adjustments	(11,518)
Revised outturn position 2010/11	105
Working Balance at 31 March 11	(11,413)

A Working Balance of £11.413m equates to approximately 5.5% of the net revenue budget for 2011/12 and remains in line with the Medium Term Financial Strategy (MTFS) which is to maintain a Working Balance of at least 5%.

A reconciliation of the Management Accounts, reported to Cabinet on 7 June 2011, to the Movement in General Fund Balance as per the statutory Movement in Reserves Statement on page 45, is shown below. A more detailed reconciliation is contained in the amounts reported for resources allocation decisions note 25 page 127

Reconciliation of Management Accounts to Statutory Accounts:

	£000
Final position reported in Outturn report 07/06/11	105
Add budgeted transfer to Working Balance	(250)
Less budgeted contribution from Working Balance to City Development Company	250
Net Transfer from Working Balance (Table 2) as reported in outturn report	**105**
Deficit on provision of services as per CIES (page 46)	16,299
Adjustments between Acounting Basis and Funding Basis under Regulations on GF Balance Note 8	(19,339)
Net increrase/Decrease before transfers to Earmarked Reserves	(3,040)
Transfers to/from earmarked Reserves	3,145
(Increase)/decrease in Balance for the year	**105**

Trading Operations

The Council continues to operate a number of trading operations, although for internal trading operations such as catering and building cleaning the trading outturn is included within the relevant departmental figures. However some non statutory services continue to be operated as separate trading or ring fenced accounts and for which separate reserve accounts are maintained, the main ones being:

- Off Street Parking
- On street car parking
- Street Trading

- Pannier Market
- Taxi Trade

Surpluses and deficits from these trading operations are transferred to or from the relevant Reserve accounts.

The final position on the trading accounts for 2010/11 is shown in table 3.

Table 3

Trading Operations 2010/11			
Trading Activity	**Trading Estimates 2010/11 £000**	**Final Trading Position for 2010/11 £000**	**Variation to Estimate £000**
City Market	76	81	5
Off Street Parking	(1,064)	(686)	378
On Street Parking	(1,430)	(1,328)	102
Street Trading	0	0	0
Taxi Trade	(43)	(65)	(22)
Total Trading	**(2,461)**	**(1,998)**	**463**

The external Trading operations generated a surplus of (£1.998m) against an original budgeted surplus of (£2.461m), a reduction of £0.463m.

The trading operations continue to be affected by recessionary pressures. The parking accounts in particular have seen a reduction in parking and parking control notices (PCN) income together with an increase in repairs and maintenance spend during the year.

The Statutory Accounts differ from the Council's management accounts for these operations due to adjustments for the following items:

- Pension costs under IAS19
- Capital Charges
- Employee benefit accruals

Further detail on the trading operations is given in note 26 page 131.

Housing Revenue Account (HRA)

The Council transferred its Council Stock to Plymouth Community Homes (PCH) on 20 November 2009. However the Council is required to continue to operate a Housing Revenue Account until approval has been granted by the Department for Communities and Local Government (CLG) to formally close the account. This may not be applied for until a final unqualified subsidy claim has been received. The auditor certified the final claim on 23 December 2010, and the Council settled all amounts due to CLG in February 2011. Formal Secretary of State approval to close the account has now been received with closure applicable on 31 March 2011. The residual HRA Working Balance transferred to the General Fund as at that date.
The Council retained an element of HRA land and property, mainly commercial rented property. This was formally transferred (appropriated) to the General Fund in November 2010.

The final position on the HRA for 2010/11, prior to statutory adjustments, is summarised in Table 4. In the main transactions relate to prior year subsidy and Item 8 adjustments where the amending Determinations were not received in time to apply to the 2009/10 accounts, offset by part year income relating to retained land and property prior to appropriation to General Fund.

Table 4

HRA Summary	Actual Net Expenditure £000
Income	178
Expenditure	22
(Surplus)/Deficit for year	**200**

A reconciliation of the management accounts to the Statutory statements shown on page158 is shown below:

	£000
Deficit as per Management Accounts	200
Adjustment for bad debt provision	132
Adjusted Outturn	**332**
(Surplus) as per HRA statement	(447)
Adjustments between funding basis	(228)
	(675)
Transfer to earmarked reserve- gas servicing	1,007
Final Outturn to be met from Working Balance	**332**

The movement on the HRA Working Balance in year was as follows:

	£000
HRA Working Balance at Start of year	(1,792)
Deficit in year	332
Final HRA Working Balance to transfer to General Fund	**(1,460)**

The final balance of (£1.460m) was transferred to the General Fund on 31 March 2011. Further detail on the HRA is given on pages 165 - 173

Income Collection

Table 5 below shows the Council's income collection performance for the year.

Table 5

Type of debt	Actual % 2008/09	Actual % 2009/10	Actual % 2010/11	AE Quartile	Budgeted income 2010/11	Year end income 2010/11
Council Tax	94.2%	95.2%	96.1%	4	£89.5m	£89.0m
NNDR	96.7%	96.0%	97.3%	2	£77.4m	£77.4m
Sundry Debt	86.9%	88.0%	92.5%	n/a	£60.0m#	£60.0m#

Commercial Rent (general fund)	*80.8%*	*85.0%*	*93.0%*	*n/a*	*£5.0m#*	*£5.0m#*
Trade Waste	*87.5%*	*92.0%*	*95.6%*	*n/a*	*£1.2m#*	*£1.2m#*
Adult Residential Care	*90.3%*	*92.0%*	*93.8%*	*n/a*	*£9.0m#*	*£9.0m#*

Sundry debt fluctuates during the year. Figures shown are an average per annum for a rolling 12 month period

Local Taxation

- Council Tax –Target 96.5% / Actual 96.1%
  In year collection was 96.1%. £89.0m collected against the target of 96.5% £89.5m. Although target missed this still represents an improvement against last year's result.
- NNDR - Target 97.5% / Actual 97.3%
  In year collection was 97.3%. £77.4m collected against the target of 97.5% £77.4m. Given the current economic climate this is a very positive result
  .

Sundry Debt collection – Target 92.5% / Actual 92.5%

The overall collection target of 92.5% was achieved, resulting in the collection of £56.4m against £61m raised. A more proactive approach to recovery by way of targeting specific customer accounts has improved collection across the Council. Changes to recovery routes and implementing more efficient processes have reduced recovery costs and increased collection.

Key areas:

- Adult residential and non residential care - Target 94.0% / Actual 93.8%
  Target for 10/11 was 94% with 93.8% being achieved. The collection rate has been effectively maintained over the 12 month period by ensuring financial assessment requests are addressed at the earliest possible opportunity which results in the customer being invoiced earlier. Arrears are addressed early and appointeeship applied for to ensure benefits are received direct by the Council.

- Commercial Rent - Target 90.0% / Actual 93%
  Target for 10/11 90% was exceeded with 93% being achieved. Since September 2010 the responsibility for the collection of this area of debt moved from Commercial Property to Value for Money & Efficiencies to ensure consistency in the recovery process and consolidate debt wherever possible. It is envisaged that further improvements in collection will be made in this area.

- Trade Waste - Target 94.0% / Actual 95.6%
  Target for 10/11 94% was exceeded with 95.6% being achieved. A new initiative was introduced that involved invoicing customers a month in advance of the invoice due date. This resulted in advance payment for the service or the potential for service provision to be removed. Payments can now be received as much as 30 days earlier thereby reducing costs of recovery and improving the Council's cashflow.

At the end of the year, the Council's debtors totalled £46.025m. Debt written off during the year totalled £1.331m. The Council has set aside an allowance for uncollectability of debt of £10.852m.

Further details of the debt position is given in note 17.3 page 107

Capital

The Council's capital programme for 2010/11 was originally approved at £99.941m. In the light of anticipated Government reductions in capital funding, all uncommitted schemes were suspended during the

summer pending the Settlement announcement due in December 2011. As a result the programme was revised downwards to £77.457m as part of the budget report presented to Council in January 2011.

Capital expenditure generally relates to the creation of fixed assets and other items with a useful life or benefit of greater than one year. In many instances capital expenditure on a scheme will extend beyond one year and it is therefore normal for there to be variations in the programme during the year. The full movement on the programme during the year can be summarised as follows:

	£000
Original Budget, including slippage from 2009/10	99,941
Movement in year:	
New Approvals	6,260
Reprofiling and Slippage into 2010/11	(25,967)
Other Variations to scheme costs	(2,777)
Total Final Council Capital Programme 2010/11	**77,457**

The final capital spend for the year was £69.718m. Table 6 shows details of the performance for each Directorate in terms of the achievement of the capital programme against budget.

Table 6

Capital Programme 2010/11				
Directorate	**Original Budget £000**	**Revised Budget £000**	**Outturn £000**	**Variation to Revised Budget £000**
Corporate Support	820	2,658	1,484	(1,174)
Development and Regeneration	31,604	23,828	21,049	(2,779)
Children's Services	38,488	30,759	28,846	(1,913)
Community Services	29,029	20,212	18,657	(1,555)
Sub total	**99,941**	**77,457**	**70,036**	**(7,421)**
Transfer to Revenue			(318)	(318)
Net Capital Programme for Year	**99,941**	**77,457**	**69,718**	**(7,739)**

Note: ( ) denotes surplus/favourable

The Capital Programme was financed as Follows:

	£000
Capital Receipts	2,814
Loans	16,823
Capital Grants & Contributions	48,676
Revenue and other funds	1,405
Total Financing	**69,718**

The main sources of capital grant funding are: English Partnerships, Heritage Lottery Grant, Department for Children, Schools and Families (inc Standards Fund), Department for Transport Section 56, Department for Communities and Local Government (DCLG) (including Private Sector Renewal grant and Disabled Facilities grant), the Forestry Commission and Section 106 developer's contributions. Further details of capital grants received in the year are given in note 32.3 on page 144.

At the end of the year the Council has £20.486m of grant and contributions available for financing the capital programme, including £6.882m of Section 106 and other contributions from developers.

The Major Capital Projects in 2010/11 were:

Spend in 2010/11 on new Assets Acquired, or assets under construction at 31 March 2011:

- Estover Community College (Tor Bridge High) Replacement school - £10.223m
- Life Centre - £15.667m
- Efford Replacement School (Plym View / Highfield)- £4.293m
- Chelson Meadow works £2.215m
- East End Community Transport Scheme - Works at Gdynia Way £11.260m
- Devonport Park £1.585m

Spend on improvement or enhancement to existing Assets:

- Local Transport Plan Schemes - £3.008m
- Manadon Junction Improvements- £0.472m
- School Meal Service Improvements - £2.215m
- Childrens Centres & Early Years - £1.553m
- Schools Conditions Improvements - £1.991m
- Highway Maintenance & Essential Engineering - £1.385m

Other Expenditure

- Disabled Facilities Grants - £1.382m
- St Aubyns Library- capital contribution from PCC- £0.501m

Income from Sale of Assets and Loan repayments

During the year the Council received £3.795m from the sale of Council assets and loan repayments as follows:-

	£000
Repayable Discounts	52
Loan repayments	268
Surplus Assets disposals	1,527
Stock Transfer negotiated Right to Buy (RTB) & Vat shelter receipts	1,892
Other	56
Total receipts in year	**3,795**

Usable receipts totalling £21.359m were brought forward from 2009/10, and £22.491m remained at year end. The movement in the capital receipts position was as follows:

	£000
Balance at 1 April	21,359
Add:	
Receipts from sales of assets etc	3,795
Interest	201
	25,355
Less:	
Right to Buy Administration Costs	(6)
Transfer to Consolidated Revenue Account re Housing Pooled Capital Receipts	(44)
Used to Finance Capital Expenditure	(2,814)
Balance at 31 March	**22,491**

Of the £22.491m of receipts held at year end, £19.669m are ringfenced or set aside for specific initiatives, leaving £2.822m available to fund the approved capital programme over the medium term.

Treasury Management Activities

The Council's Treasury Management Strategy for 2010/11 was approved by full Council on 1 March 2010. As an overriding principle, the strategies proposed that in the current financial climate the Council should continue to seek to reduce the underlying level of borrowing and investments. The Council should seek to make greater use of short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

The mid year report outlined that in the light of changes made to PWLB borrowing rates as part of the Government's Comprehensive Spending Review the Council's borrowing policy for the remainder of the year would be to maximise short term borrowing to finance the Capital Programme and cash flow requirements.

External Borrowing

At the year end, borrowing from external lenders totalled £286.383m, as shown in Table 7. This should be viewed in relation to the value of the Council's operational land and buildings and investment properties, which have a net book value of £787.482m at the 31 March 2011. The table below shows the absolute cash value of the debt. This differs from the Balance Sheet value which is required to be accounted for using the effective interest rate methodology, which requires interest payments due at the end of the year to be accrued and added to the carrying value of the loan, with the amount charged to revenue being the amount payable in year according to the loan agreement. The financial instruments disclosure note 16 page 95 gives more information on the Council's borrowings, including the equivalent fair value of the loans had these been taken out as at the Balance Sheet date.

Table 7

Type of Debt	Principal O/S £000	Average Rate %
PWLB (Public Works Loan Board)	61,315	5.4001
Market Loans	130,000	4.4202
Bonds	83	1.1660
Temporary Loans	94,985	0.4800
Total Borrowing	**286,383**	**3.3222**
PFI	31,753	
Other Finance lease liability*	2,668	
Total Debt 31/03/11	**320,804**	

*Added to total debt with effect 31 March 2011

The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) as at 31 March 2011was £258.688m.

The total external debt as shown above includes long term liabilities in respect of PFI schemes or finance leases as these liabilities are seen as a credit arrangement thus increasing the Council's total debt and must be taken into account within the statutory borrowing limits. The Council has one PFI scheme, the contract with Pyramid to build and run the schools at Woodview campus and Riverside. The move to producing statutory accounts on an International Financial Reporting Standard (IFRS) basis has resulted in a reclassification of a number of leases from operating to finance leases.

The final borrowing limits for the year, as updated and approved by Full Council on 28 February 2011 were as follows:

- Authorised limits £349m
- Operational Boundary £322m

At the end of March 2011 the Council's actual borrowing stood at £286.383m. This included additional short-term loans of £94.985m taken during February and March and deposited in call accounts to allow for financing of the capital programme and other cash flow requirements.

Overall there was an increase in external loans of £19.834m since 31 March 2010 reflecting the Council's policy to take short term debt at preferential low rates and invest this in call accounts earning higher rates of interest until needed for cash flow purposes. The Council did not take any new long term borrowing during the year.

During the year, Officers successfully negotiated the transfer of pre LGR debt totalling £33.665m, administered by Devon County Council, to the City Council. As a result of the transfer, Plymouth achieved net savings of (£1.122m) in terms of interest and loan repayments in 2010/11 and have greater flexibility over the management of the debt with the option to repay/reschedule the debt at a later date when terms become more favourable.

The average interest rate on the debt as at 31 March 2011 was 3.3222%, an overall reduction over the previous year end position. This is due in part to the lower average rate on loans previously administered by Devon after taking these in house.

Loan transactions were taken at various times throughout the year and at various rates. Taking all the transactions in the year, the overall average borrowing rate for 2010/11 was 3.5476% compared with a rate of 4.3092% for 2009/10.

External Interest payments for the year came to £8.945m against a budget of £7.556m, an increase of £1.389m mainly as a result of the inclusion of PWLB debt from the transfer of the Devon Debt. This is more than offset by savings of (£2.444m) from the removal of debt payments to Devon County Council.

Investments

The Council continues to manage its investment portfolio with regard to CLG guidance which gives priority to security and liquidity of the investment above yield. In managing the portfolio the Council has sought to achieve a yield commensurate with these principles.

At 31 March 2011 the Council held investments of £165.802m, cash value. This differs from the amount carried on the Balance Sheet which includes accrued interest receivable for the year. The financial instruments disclosure note 16 page 95 gives more information on the Council's investments, including the equivalent fair value of the investments had these been taken out as at the Balance Sheet date.

The Council manages its investments in house and invests with institutions on the Council's approved lending list. During 2010/11 lending has been restricted to: other local authorities, the Government Debt Management Office or UK banks backed by the Government Credit Guarantee scheme, and restricting the maximum investment term to 12 months. The Council continues to balance its investment portfolio in terms of risk and return by using a mix of call accounts, which enable immediate access to funds, together with longer term investments of up to 364 days which pay higher investment returns.

The Council's treasury management officers work to a benchmark rate of return, the 7 day London Interbank Bid (LIBID) rate – which is the rate which can be achieved on the London interbank market for cash deposits of 7 days and is regarded as the standard benchmark. The 7 day rate is calculated on a daily basis and averaged for the year. The benchmark 7 day rate for the year was 0.5%. The actual rate achieved by the Council for the year was 1.7207%, reflecting residual longer term investments made prior to the banking crisis. An average rate of 1.0708% was achieved for new investments in the year against a budget target rate of 1%. Investment interest received for the year was (£2.802m) against a budget of (£2.821m), a slight adverse variation of £0.019m.

CLG investment guidance which came into effect 31 March 2010 recommended that strategies should show details of assessing credit risk. Counterparty credit quality is assessed and monitored with reference to:

- Credit Ratings (Council's minimum long-term counterparty rating of A+ across all three rating agencies, Fitch, S&P and Moody's);
- Credit Default Swaps;
- GDP of the country in which the institution operates;
- the country's net debt as a Percentage of GDP;
- Sovereign Support Mechanisms /potential support from a well-resourced parent institution;
- Share Price.

The Council's treasury advisors, Arlingclose, have as a result developed a matrix to score the credit risk of an Authority's investment portfolio. The matrix allocates a numerical score based on the credit rating of an institution , with a AAA rated institution scoring 1, and a D rated institution scoring 15. This is then weighted to reflect both the size of the deposit and the maturity term of the deposit. The aim is to achieve an overall score of 5 or lower on both weighted averages to reflect an investment approach based on security. The lower the score the better the security of the deposit.

Table 8 shows the rating currently attached to the Council's portfolio and its movement during the year using this matrix.

Table 8

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2010	4.25	AA-	4.65	A+
30/06/2010	4.31	AA-	4.42	A+
30/09/2010	4.22	AA-	4.51	A+
31/12/2010	4.27	AA-	4.59	A+
31/03/2011	4.2	AA-	4.75	A+

Note : These scores exclude any deposits with Icelandic banks

Based on the scoring methodology, the Council's Counterparty credit quality has been maintained through the year.

Icelandic Bank Update

The latest position on the recoveries of monies invested in the Icelandic banks is as follows:

<u>Heritable Bank £3m</u>
The Council received a further dividends totalling 15.13p in the £ in 2010/11, bringing total dividends paid to date to 50.11%. The actual amount recovered to 31 March 2011 was £1.503m, plus interest of £0.077m. Based on current projections from the administrators a total recovery of almost 85% is expected with dividends continuing on a quarterly basis until September 2012.

Glitnir £6m and Landsbanki £4m

Recovery of monies in Glitnir and Landsbanki remain subject to court proceedings. However initial hearings have indicated that local authority deposits will be granted priority status. Should this be upheld by the Supreme Courts the Council could expect to recover the following amounts:

- Glitnir 100%
- Landsbanki 94%

The Council took advantage of a Capitalisation Direction and accounted for potential Icelandic bank losses in its accounts for 2009/10. This was a year in advance of the requirements under Regulations and has enabled the potential losses to be written off over a 20 year period. The situation with regard to the recovery of monies invested in Glitnir and Landsbanki continues to be subject to court hearings as outlined above and the Council has therefore decided not to adjust the impairment charge in its accounts for 2010/11.

The Council, working with the Local Government Association (LGA) and Bevan Brittan, remains committed to maximising the recovery of its investments. The cost of the continuing external legal advice has been met from the Icelandic bank reserve. A sum of £0.052m has been incurred in 2010/11.

Pension Liabilities

Plymouth Council employees are eligible to join the Local Government Pension Scheme (LGPS) which is managed by Devon County Council on behalf of the Devon Authorities. The accounting requirements of International Accounting Standard (IAS) 19 has resulted in a pension liability of £222.212m being reflected in the Council's Balance Sheet. This represents Plymouth City Council's liability to the Local Government Pension Scheme (LGPS). In addition, the Council discloses a long-term creditor of £18.227m on the Balance Sheet. This represents its share of Devon County Council's ongoing liability to pay enhanced pension costs that existed at the time of Local Government Reorganisation in 1998.

These amounts are matched by a pensions reserve and therefore have no impact on the Council's revenue balances. The pensions liability as at 31 March 2011 has reduced significantly. This due to a number of factors but mainly changes in the valuation of pension liabilities which are now required to be based on CPI, rather than RPI.

The negative balance that arises on the Pensions Reserve measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

Further details are disclosed in:

- the Accounting Policies note 1.8 of this document on pages 52 to 54
- the notes to the Accounts pages 49 to 163

The level of contributions required to be made by the Council into the fund are set by independent actuaries. The contribution levels are reviewed every three years following a triennial review of the fund by the actuaries. The actuaries have just completed the latest triennial review and new rates became effective 1 April 2011 and remain for a further period of 3 years.

The current contribution rate is based on 19.4% of pensionable salary costs for those employees in the Devon pension scheme.

Group Accounts

The Council has interests in a number of related companies and entities, which may take the form of subsidiaries, joint ventures or associates or just be a simple investment, or provision of general financial assistance. The more significant interests are consolidated within the Council's group accounts.

The Council has reviewed its group interests and made the following changes for 2010/11:

- Theatre Royal Ltd has been removed as a subsidiary. This follows the resignation of elected Council Members from the Theatre Board in September 2010. The Group consolidated Income and Expenditure Account contains operating income and expenditure to the end of September 2010.
- The Council signed a joint venture agreement with the University to oversee Tamar Science Park in March 2010. This Company has now been consolidated within the group statements.

The related companies consolidated to form the Council's group accounts for 2010/11 are therefore as follows:

- Theatre Royal (Plymouth) Ltd- (Subsidiary- part year operating costs only)
- Plymouth Investment Partnerships Ltd- (Subsidiary)
- PLUSS- (Associate)
- Tamar Science Park – (Jointly Controlled Operation)
- Tamar Bridge and Torpoint Ferry Joint Committee- (Jointly Controlled Operation)

The Group Accounts are shown on pages 178 to 187

Partnership Arrangements

Local Strategic Partnership (LSP)

This year the Partnership's main focus has been on reassessing the priorities for the city following the demise of Local Area Agreements (LAA) and the Comprehensive Area Assessment (CAA). The Partnership published the Plymouth Report containing all available data on how the city is performing and from this identified four main priorities for the city: Growth, Inequality, Aspiration and Value for Communities. A set of indicators have been agreed to measure progress against the four priorities and work is ongoing on target setting and practical actions to address the priorities.

The Partnership established an integrated planning process with main partners which will align planning and budget cycles to provide a more effective and efficient means of addressing the agreed priorities for the city. A Partnership Finance Group and Engagement & Consultation Group have been set up to facilitate the delivery of integrated planning.

The Partnership received funding through the Local Government Improvement and Development (formerly IDEA) to help address Anti Social Behaviour in the Mutley Greenbank Neighbourhood. The emphasis was on a customer insight approach through the review and analysis of partnership and Mosaic data (to provide demographic and geographic profiling). Community engagement included two questionnaire survey based consultations which identified and targeted the particular ASB issues and interventions in the neighbourhood. The second survey showed that over the course of 5 months there was an increase of 7% and 8% respectively to the questions; 'are public services successfully dealing with ASB?' and 'if residents can influence decisions in their area'.

The voluntary and community sector were supported through service level agreements with Plymouth Guild to run the Volunteer Centre and support the work of Plymouth Third Sector Consortium. The Volunteer Centre was successful in bidding for external funding to run a variety of volunteer projects as well as the brokerage service. The Consortium concentrated on building up its membership, setting up a number of networks and establishing a funding and business support service.

Locality working was established this year with the city being divided into 6 localities each with its own locality team including representatives from the Council, Police and NHS. Neighbourhood meetings were held quarterly in all 43 neighbourhoods in the city and have proved particularly successful. Neighbourhood Police teams and Council-nominated 'Neighbourhood Liaison Officers' work with Councillors to support the meeting process and other community engagements. They follow up priority actions that have been agreed at the meetings and report back to the following meeting. The main issues raised during the year have been anti-social behaviour (21%), parking (19%), road safety (12%) and litter and bins (11%).

Highways Maintenance

The Council entered into a contract with Amey in December 2008 to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, preplanned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertake design works and delivery of an element of the Council's capital Local Transport Plan programme.

The contract is for a period of 7 years, extendable by a further 3 years, with an estimated total value of approximately £150m. In 2010/11 Amey carried out work to the value of £16.912m under the contract.

New Deal for Communities (NDC)

The Council is the Accountable Body for the New Deal for Communities (NDC) grant funding stream. As the Accountable Body, all grant funding is paid to the City Council which is then responsible for distributing the grant to partners and other external grant applicants in accordance with grant approvals made by the responsible bodies for delivery of the programmes. The NDC programme is delivered by the Devonport Regeneration Community Partnership (DRCP).

The New Deal for Communities programme ended with effect 31 March 2011. The programme spanned a 10 year period and received £48m of Government funding, drawing in excess of £300m of match funding in support of a wide range of projects. The programme sought to tackle holistically the problems of a deprived neighbourhood and worked closely with a wide range of public and private sector partners to attempt to 'narrow the gap' between Devonport and more affluent parts of the City.

The NDC grant allocation for the final year was £3.643m and this has been spent in full, thus ensuring the full drawdown of the £48m award. Details of the projects supported during the year will be made available on the Council's web site following audit of the spend by the external auditor.

Notable successes in the year included completion of the refurbishment of listed St Aubyn's Church to provide a new local library, fully equipped with brand new library stock and a community access computer suite. This project won both the prestigious Abercrombie Award itself and an award for the Best Conversation Project at the 2011 awards evening in April. Devonport projects supported through the NDC programme also picked up an additional two awards, for Devonport Guildhall and landscaping at Granby Green, with a further two schemes highly commended by the judges. Each of the schemes were delivered through Partnership working between the NDC team and City Council departments.
The Council continues to hold funds in reserve on behalf of DRCP. These monies represent 'pay back' in lieu of grant paid to support Council schemes, mainly in 2007/08, in order to maximise grant drawdown. This money remains ringfenced to support projects in the Devonport area and approved by the former DRC Partnership Board. The reserve is being used to support schemes that have not been completed by the 31 March 2011, mainly capital schemes at Riverside Business Park and Garrison Close, both of which are already well advanced. One project will provide five new, energy efficient homes at Garrison Close the other will see an additional two incubator business units built at Riverside Business Park, to continue to support the high level of business start-ups supported through the NDC programme within Devonport.

Remaining funding will also be used to provide three years funding (2011 to 2013) to support the newly established Devonport Neighbourhood Board. This Body, supported by the key public sector partners and a full time officer funded from NDC finances, will continue to provide residents with the opportunity to help shape change and service improvements within Devonport.

Homelessness initiatives

During the year the Council received £1m of central government grant funding in relation to various homelessness initiatives for which it is acting as the accountable body. These projects are being delivered in partnership with Devon County Council, Exeter City Council and an external Housing Association.

Material Events after the Balance Sheet date

Academy transfers
The following schools transferred to academies on 1 April 2011:

- Lipson CC (Previously Trust status)
- Hele
- Ridgeway
- Plymstock (Previously Trust status)
- Coombe Dean
- Devonport High School for Girls
- Stoke Damerel CC (Previously Trust status)

- Tor Bridge High is due to transfer on 1 August 2011.

The asset value of these schools on the Council's Balance Sheet was £59.246m plus equipment of £0.908m. Intangible assets of £0.063m also relate to these schools. In addition cash balances of £2.291m will transfer to the schools at the end of June 2010. The impact of the transfers on the Council's support services functions is being addressed through the transformational change programme and budget delivery plans.

Plymouth City Airport

Plymouth City airport is let on a 125 year lease. The Council's lessee has served notice of its intention to close the airport in December 2011 because of a number of circumstances that have led to trading difficulties. The Council is undertaking an economic study of airport operations and is in discussion with the airport operator. Consequently the future of the airport is not fully resolved at this time.

Plymouth Community Homes Pensions

The Council actuaries have recently completed a post completion valuation of the pensions deficit for staff transferred to Plymouth Community Homes in 2009. This has resulted in the transfer back of notional pensions assets totalling £15.846m from the PCH element of the Pension Fund to Plymouth's element, and resulted in a reduction in Plymouths underlying pensions deficit as at 31 March 2011.

Financial Position of the Council

At 31 March 2011 the Council's Working Balance stood at £11.412m or 5.5% of the net revenue budget for 2011/12.
In addition to the Working Balance, the Council has a number of earmarked reserves, set up specifically to meet the costs of future spending plans or known budget pressures. At 31 March 2011, the total earmarked reserves were £30.447m, including £7.478m held on behalf of schools. The more significant reserves, in addition to the schools reserves, are:

	£000
Redundancy Reserve	2,610
Waste Reserve	2,400
Accommodation Reserve	1,812
Pensions Reserve	1,088
Invest to Save	2,262
Budget carry forwards/Policy initiatives	2,069
Insurance Reserve	950

Further details of the Council's reserves is included in note 23 page 112.

The Council also has a number of budget provisions set up to meet known liabilities. The main provisions include the insurance fund, and back dated equal pay claims. Provisions held at 31 March 2011 totalled £10.787m. With the exception of the back dated pay award claims arising since 1 April 2008, where the Council has taken advantage of a statutory regulation to defer the impact on its revenue budget until the claims are settled, all monies held in provisions have already been charged to the Council's revenue budget.

Further details of provisions note 22 page 109.

The Council has disclosed a number of contingent assets and liabilities in the notes to the accounts. Contingent assets identify potential income that the Council may recover either as a result of legal action or reimbursement of overpayments. The Council has declared contingent assets relating to tax rebates from HMRC in respect of Fleming claims and landfill liability in the region of £2.0m.

This income is not currently included within the Council's revenue budget as it is not certain that it will be forthcoming. Contingent liabilities represent areas that may result in a financial liability to the Council but which cannot be quantified with any certainty both in terms of timing and amounts and therefore have not yet been charged to the accounts. These are kept under continual review with the contingent liabilities forming part of the Council's strategic risk register and regularly reported to Audit Committee.

The main contingent liabilities are:

- Municipal Mutual Insurance Ltd- Scheme of Arrangement- the company experienced trading difficulties and is working towards a 'solvent run off' until all outstanding claims settled, but there is a potential clawback arrangement if the company becomes insolvent, whereby the creditors would be required to pay a proportion of the claims paid. These claims totalled £1.292m at 31 March 11.
- PLUSS Organisation Ltd – the Council has guaranteed payments into the pensions fund for transferred employees, has also provided a loan of £0.235m and jointly agreed a bank overdraft facility with Torbay and Devon County Council.
- Single status equal pay claims - the Council has a number of claims currently subject to a tribunal hearing. However depending on the ruling of the tribunal, it is possible that further claims may be submitted.
- Civic centre – a contingent liability disclosed whilst the future of the building remains to be determined.
- Connexions (Careers South West) – the Council has guaranteed to meet an element of pension liabilities should the organisation be wound up.
- PCH –As part of the stock transfer the Council was required to provide a number of warranties to the funders of Plymouth Community Homes
- Contaminated land – the Council is required to identify potentially contaminated land and may be required to implement remediation works.
- Treasury Management – Potential investment losses.
- Eastern Corridor Integrated Transport Scheme- legal action/claim resulting from delays incurred in the Gydinia way transport scheme
- Green Waste Site – Chelson Meadow legal claim concerning tenancy rights.
- Redundancy payments- with regards to delivery of Terms and Conditions review.

Further details of Council's contingent assets and liabilities is given in note 38 page 158.

Regular reviews of the Council's financial health, in particular a review of reserves and provisions, are undertaken during the year.

Looking Forward to the Medium Term

The Council is facing a series of challenging issues into the medium term. The grant budget reductions announced as part of the Comprehensive Spending Review and the resulting reduction in grants under the 2011/12 local Government Settlement will require the Council to have robust plans if it is to continue to improve.

In response to this, the Corporate Management Team, working with the Council's Cabinet members, is continuing to develop a transformational change programme that will fundamentally challenge the organisation's culture, structure and approach to service delivery. The budget plans submitted as part of the 2011/12 budget setting process included budget delivery plan savings of over £33m to be delivered over the next three years.

A return to quarterly reporting of joint finance and performance information has proved successful during 2010/11. The formal joint reports will continue to be supplemented by monthly scorecards to Corporate and Departmental Management teams demonstrating progress against budget and delivery plans. The emphasis needs to be one of looking forward: updating the MTFF regularly as things change is essential if the Council is able to proactively plan for the future.

Although the Comprehensive Spending period covered a period of 4 years, the Local Government Finance Settlement gave resource allocations for a 2 year period only. The Government has announced plans to undertake a Local Government Resource Review and initial consultation has already been undertaken. The review centers around Council's retaining locally raised business rate income. The proposals will be closely monitored and implications for the Council's finances reported to Cabinet as part of the quarterly reporting process.

Value for Money (VFM)

Achieving Value for Money remains a key issue for the Council. Improvement activity will focus on achieving outcomes under the following headings:

- Driving value for money through more effective support services
- Driving value for money from improving our core services to customers
- Ensuring that our key resources of finance, capital, ICT, assets and people are better aligned to our priorities

The internal reporting of efficiencies has continued to improve through a monitoring programme which is focused on benefit delivery through the Budget Delivery Plans for each Directorate. It is recognised that benefit realisation needs to be monitored not only during the implementation period but also through the initial years of the plans, thus ensuring that return on investment is maximised, recognised and effected. The VFM team is presently looking at how to embed ownership of benefit realization across the Council through training and improved management information.

Four key priorities have been identified for both the Council and City-wide; one of the priorities is to Provide Value for Communities. The VFM team will lead on this priority across the Council and ensure that departments and, when appropriate, partners work together to maximise resources to benefit customers and make internal efficiencies. Success of this strand of work will be measured through monitoring the perception of the community as to whether they receive VFM from the services that they receive.

The VFM programme of major projects is continuing to identify considerable efficiencies being made by departments and through cross-Council working. These include:

- Procure 2 Pay
  This project aims to deliver better control of expenditure across the Authority through development of a more efficient and effective purchasing process. There are 4 dedicated buyers now in place and the work carried out in Corporate Resources has already delivered tangible savings in 2010/11 in the ordering of non-catalogue items. This project continues to build momentum and will build on these savings across all directorates in the Authority.

- Children's Social Care – Residential Care
  Significant progress has been made on reducing the use of residential care in the last year. This has been achieved by a full review of all young people in residential settings and plans being initiated and

monitored to ensure they are moved when appropriate to fostering or alternative provision. In 2010/11 the actions taken resulted in a reduction on the Independent Sector budget of £0.898m.

The Council is well advanced in its plans to outsource the management of its leisure facilities and signed a Leisure Management contract with an external service provider in June 2011. This will see the transfer of management for the New Life Centre, Brickfields, Plympton Pool, Mount Wise and Tinside outdoor pools to the contractor during the latter part of 2011/12.

Capital Investment

The Council also remains committed to a significant capital investment programme despite the current economic climate. The Council, engaging with partners in major regeneration of the City, will not only contribute towards delivering improvement priorities, but will also help to sustain much needed work opportunities in the local area (for example, the construction industry).

Significant schemes programmed to be delivered by 2014 include:

	£m
A State of the art new college at Estover	38.8
Improving Schools in the Southern Way Federation	15.1
East End Transport Improvement Scheme	20.8
Bringing Devonport People's Park 'back to life'	4.6
Plymouth Life Centre – the biggest investment in leisure facilities in Plymouth ever	46.5

In addition to the approved capital programme, the Council continues to develop its long term waste disposal solution with Torbay and Devon County Councils, building a multi million pound waste to energy plant. Funding of £19m has been announced for the 2 Academies that transferred in September 2010.

Invest to Save (I2S)

A vital element of effective financial management for future years is the Council's ability to commission, and deliver, invest to save projects that improve services provided to its customers and efficiencies in the way in which it works. As part of 2010/11 budget setting, the Council was open with its intent to develop relevant schemes, through capital funding, that will drive transformational change and generate revenue savings. The first of these to progress is the accommodation strategy which is rationalising the number of office premises to release revenue savings.

Council has subsequently approved the following I2S projects:

- Developing the Care First system to improve management of client information;
- Launching a new website for the Council's customers, allowing 24/7 access and much greater functionality enabling us to increase the level of more efficient electronic transactions with the Council;
- A Children and Young People's scheme to help reduce the cost of expensive out of city residential placements;
- A scheme where the Council can work with partner agencies to reduce the overall trend of increased numbers of children entering the formal care system.

Concluding Remarks

The Council's Director for Corporate Support, as the Council's Section 151 Officer, is required to sign the Accounts by a statutory deadline of 30 June.

Formal audit of the accounts for 2010/11 commences on 4 July 2011. The accounts and all books, deeds, contracts, bills, vouchers and receipts relating to them will be available for inspection by any person interested at the Finance Department, Civic Centre, Plymouth, Mondays to Fridays, between 8.30am and 5pm, from 4 July to 29 July inclusive.

Under the sections 15 and 16 of the Audit Commission Act 1998 and Regulations 13, 14 and 16 of the Accounts and Audit Regulations 2003:

(a) Any person interested may inspect and make copies of the accounts and books etc. to be audited.

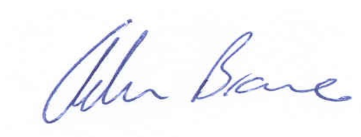
(b) A local government elector for the area may question the auditor about the accounts and object to any items of unlawful expenditure, loss due to wilful default, failure to bring a sum of income into account, or any other matter of public interest. Persons wishing to question the auditor should do so by prior arrangements by contacting 0117 305 7600.

(c) If any elector intends to object they must give the auditor prior written notice of any objection and its grounds and send a copy of the notice to the City Council.

The final audited Accounts are required to be approved by Audit Committee and published by 30 September 2011.

Further information is available on the Council's website :
www.plymouth.gov.uk/homepage/Councilanddemocracy/accounts.htm
or from Sandra Wilson, Corporate Accountancy and Finance Manager, Civic Centre, Plymouth, PL1 2AA. Telephone: (01752) 304942. Email: corporateaccountancy@plymouth.gov.uk

The Council's statutory responsibilities regarding these Accounts are laid out in the section entitled 'Statement of Responsibilities for the Statement of Accounts' on page 30.



A BROOME
Director for Corporate Support
Civic Centre
PLYMOUTH
PL1 2AA
30 June 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director for Corporate Support Services.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Director for Corporate Support's responsibilities:

The Director for Corporate Support is responsible for the preparation of the Authority's Statement of Accounts which, is in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. (The Code)

In preparing this statement of accounts, the Director for Corporate Support has:

- selected suitable accounting policies and then applied them consistently
- made judgments and estimates that were reasonable and prudent
- complied with the Local Authority Code

The Director for Corporate Support has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

In signing these accounts, the Director for Corporate Support confirms that these statements give a 'true and fair' view of the financial position of the Authority at 31 March 2011 and of its expenditure and income for the year ended 31 March 2011.

A Broome
Director for Corporate Support

Dated: 30 June 2011

ANNUAL GOVERNANCE STATEMENT 2010/11

Scope of Responsibility

Plymouth City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Plymouth City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Council's functions, and which includes arrangements for the management of risk.

Plymouth City Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the Code is on our website under "Constitution".

This Annual Governance Statement explains how the Council has complied with the Code and also how it meets the requirements of Regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Plymouth City Council for the year ended 31st March 2011 and up to the date of the approval of the Annual Report and Statement of Accounts.

The Governance Framework

The internal control environment comprises all the processes and procedures in place for the sound running and well being of the Council. It is designed with the intention of:

- establishing and monitoring the achievement of the Council's objectives
- facilitating policy and decision making
- ensuring compliance with established policies, procedures, laws and regulations
- identifying, assessing and managing risks that threaten the delivery of the authority's objectives
- ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way in which the authority's functions are exercised
- managing performance to reduce impact on the environment and managing environmental risks
- managing and reporting of financial information for the authority
- managing performance of the authority and subsequent reporting

The following is an overview of the key elements of Plymouth City Council's control environment. It is not meant to be exhaustive but indicative of the controls adopted by the Council in meeting its aims and objectives. The Council has a number of measures in place to establish and monitor its key aims and objectives and to ensure that the resources used in delivering those objectives are utilised in an economical, effective and efficient way.

Plymouth has a strong vision to become one of Europe's finest, most vibrant waterfront cities, where an outstanding quality of life is enjoyed by everyone. The vision is driven by "Plymouth 2020" – the local strategic partnership of public, private and third sectors and was originally outlined the Sustainable Community Strategy 2007-20, which acts as a framework to enable services and investments to be delivered in a more responsive, better co-ordinated and sustainable way.

The partnership has subsequently produce the Plymouth Report which provided a comprehensive analysis of need and capacity in the city and laid the foundations for agreement around four priorities which will drive and help realise the city's vision:

- Deliver growth
- Raise aspirations
- Reduce inequality
- Provide value for communities

These are supported by a number of long term and medium term outcome measures, which have again been agreed across the partnership. Plymouth 2020 is also in the process of looking at how it can build on both the Sustainable Community Strategy and the Core Strategy of the Local Development Framework, while at the same time responding to requirements in the Localism Bill. The result is likely to be an overarching Plymouth Plan 2011-31 into which other strategies and plans feed.

The Council produces a **Corporate Plan** which sets out where it is now and its challenges and ambitions for the next three years in relation to transforming the organisation, improving customer experience, making efficiency savings and contributing to the four shared priorities.

The Corporate Plan 2011–2014 was approved by Council in February 2011 and sets out the Council's strategic direction. The focus has moved away from the previous fourteen corporate improvement priorities to now concentrate on the four City wide top level priorities.

These priorities are now the focus of scrutiny by Overview and Scrutiny, Cabinet and the Corporate Management Team, allowing for more detailed examination and debate of fewer, more significant issues than has previously been possible.

The Corporate Plan also provides the framework used by departments in developing their **Business Plans** which establish and monitor the achievement of objectives at service and team level.

The Annual Audit and Inspection letter (November 2009) found that the Council had sound arrangements in place across all areas of use of resources, with particularly strong performance in managing finances. The Council's organisational assessment concluded that it performed well, that performance management arrangements are much improved and that it has the leadership, capacity and capability it needs to deliver future improvements, while the city received a green flag under Comprehensive Area Assessment for the way it works in partnership to address civil emergencies.

The **Constitution** aids the financial management of the Authority and is complemented by **Financial Regulations** and **Standing Orders,** which document protocols and procedures for members and officers in conducting the business of the Council.

Ensuring the Council complies with **Law and Regulations** is ultimately the responsibility of the Assistant Director for Corporate Support (Democracy and Governance), who is the Council's statutory Monitoring Officer, and a series of controls are in place to address compliance issues.

In March 2008 the Council adopted a **Code of Corporate Governance** based on best practice as recommended by CIPFA (The Chartered Institute of Public Finance and Accountancy) and SOLACE (The Society of Local Authority Chief Executives). The Code is reviewed annually as part of the preparation of this Governance Statement.

The **Financial Management** of the Council is based upon a semi-devolved structure – the Statutory Finance Officer role rests with the Director for Corporate Support with a Head of Finance reporting to the Assistant Director for Finance, Assets and Efficiencies. A Finance Manager is based in each department.

There is a Cabinet Member with responsibility for Finance who meets regularly with the Director for Corporate Support. Regular one to one meetings are also held with each Director and the Director for Corporate Support.

Regular, timetabled meetings are held between the Director for Corporate Support and the Assistant Director for Finance and senior finance managers who sit on the management teams of departments and provide financial management advice and guidance.

A key element of budgetary control is the budget monitoring process. For 2010/11, at the start of each month, Finance provided departmental finance reports to all budget managers. These are reviewed at the next Department Management Team meeting and variances discussed and action taken as appropriate followed by monthly monitoring "scorecard" reports to the Corporate Management Team. Formal quarterly joint Finance and Performance reports go to the Corporate Management Team, Cabinet meetings and to the Overview & Management Scrutiny Panel. This will continue for 2011/12.

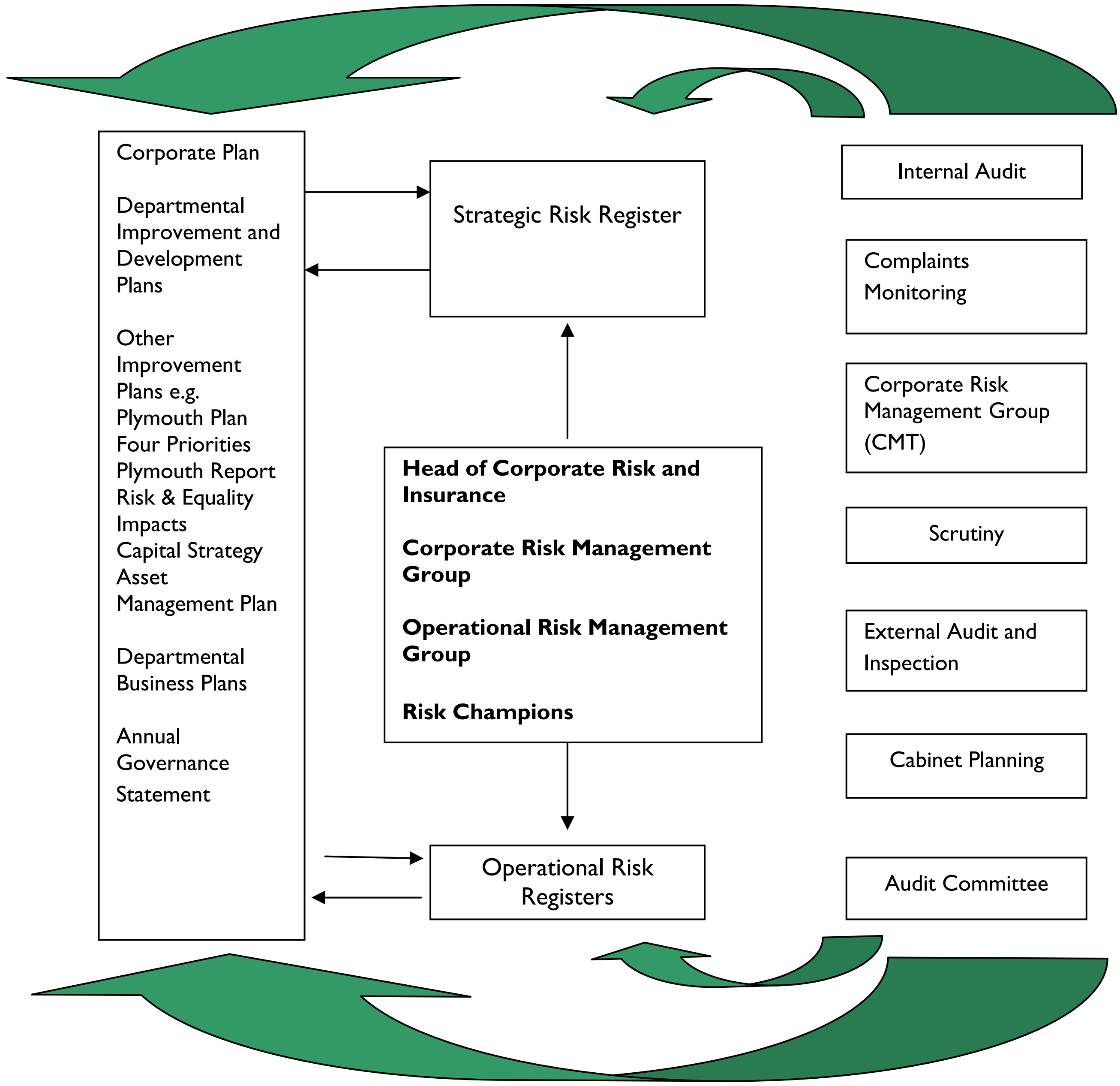
The Finance Management Team (FMT) comprising the Finance Managers and Head of Finance meet fortnightly to manage this process and to review all financial matters.

The Council has adopted a new Competency Framework covering all employees as part of its commitment to ensure that there is a clear set of standards that underpins the performance, behaviours, work, knowledge and skills of its staff to help the Council deliver its vision and the key priorities in the Corporate Plan.

The Management of Risk

The overall framework for managing risk is illustrated by the following diagram:-

Monitoring and Review process



How the Council Monitors Risk

The Council maintains Strategic and Operational Risk Registers to record and monitor progress against the key risks which threaten the Council's corporate and service objectives. Registers record, against each of these risks, controls which are already in place and also identify additional controls to enhance the control environment, acting as an action plan to address and improve risks at all levels.

Objectives identified in operational level Business Plans include links where appropriate to the Corporate Plan to ensure that each Service can identify where it contributes to the delivery of the Council's key strategic aims.

The Council invests significant resources into the management of risk through Strategic and Operational Risk Management Groups. A Risk Management Strategy and Policy Statement has been developed and risk registers are monitored using the corporate performance management system, ePerform, as well as creating links to Business Plans and key performance indicators.

Registers and controls are continuously monitored and are updated regularly at a departmental level and through meetings of the Strategic and Operational Risk Management Groups with Member input at Cabinet Planning and subsequent ratification at Audit Committee.

Operational Risk Registers allow departments to monitor potential risks that may threaten the delivery of their service objectives and to escalate a risk to the strategic level for inclusion in the Strategic Risk Register if it is a cross-cutting risk or if it is considered to threaten the strategic objectives of the Council.

Operational Risk Registers are now being fully integrated with Service objectives in line with revised corporate Business Planning arrangements.

The authority acknowledges its responsibilities with regard to environmental risks and is taking action to identify and mitigate future impact.

The Council's Civil Protection Unit, in partnership with the Local Resilience Forum, Devon and Cornwall Police and other key partners, works to identify and manage potential environmental risk and the impact of civil emergencies.

Partnerships Governance

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities.

Accordingly, the Council has produced a Partnerships Register which assesses each partnership for significance.

Senior Officers and/or Members sit on the board of most of Plymouth City Council's main partnerships and group organisations and therefore take an active part in discussions/decisions

Significant partnerships have their own risk registers and risk is managed as a routine part of performance management.

In order to improve consistency and produce a standard approach to partnerships, particularly with regard to the management of risks and opportunities, the Council has produced a draft Partnerships Code of Practice which will be consulted upon with key stakeholders. The Council has also developed formal protocols on the sharing of information and knowledge.

These include regular meetings and working groups to prepare for and review key activities including Plymouth City Council's Group Statement of Accounts and the imminent implementation of International Financial Reporting Standards.

Group organisations have recently been asked to produce assurance questionnaires or their own governance statements to ensure robust governance arrangements are in place. These questionnaires will be reviewed by Plymouth City Council officers who will work together with the Group organisation to resolve any control weaknesses or risks.

Complaints Monitoring

The Council also addresses the management of risk through its internal complaint procedures.

The Standards Committee monitors issues raised through the Local Government Ombudsman to ensure learning and improvement to prevent repetition.

A complaints database has been developed and improvements in the reporting facilities database have helped the Council to monitor and respond quickly to its customers needs.

The Role of Audit

Internal Audit

Internal Audit undertakes an objective programme of audits to ensure that there is sound and adequate risk management and internal control in place across the whole of the City Council. It also supports the authority in accounting for and safeguarding the Council's assets and interests from error, fraud, waste, poor value for money or other losses.

Independent advice, continuous appraisal of systems and other processes are provided to all levels of management on, for example, risk identification, internal controls, anti-fraud and other corporate policies and regulations.

The scope of Internal Audit also includes new developments and government initiatives such as partnership working and other corporate governance issues.

Internal Audit forms an intrinsic part of the risk management and scrutiny function, which ensures that there are robust arrangements for monitoring and review, and that adequate processes are in place for managing the Council's internal affairs and its relationship with key stakeholders, which are required to demonstrate effective corporate governance.

Continuous review of the adequacy and effectiveness of the internal audit system is included in the terms of reference of the Audit Committee and a formal annual review is conducted by that Committee based on the Chief Auditor's annual report.

Since 1st April 2009, Internal Audit services have been provided by Devon Audit Partnership, a partnership formed by Plymouth City Council, Devon County Council and Torbay Council Internal Audit departments.

The benefits of the consortium are:-

- staff resources can be deployed more flexibly and are better able to cope with vacancies and / or ad hoc work;
- sharing of best practice and access to a larger pool of specialist knowledge;
- economies of scale e.g. training, resourcing specialist skills such as IT and
- contract audit;
- providing for flexible deployment if and when necessary whilst allowing staff to build up specialist knowledge of the Council(s) they are working within;
- providing better opportunities for staff to further careers within the internal audit function;
- applying common technology and methodology across all teams to improve efficiency, value for money and skills.

External Audit

Grant Thornton LLP continued to provide external audit services during 2010/11.They provide improvement, assessment and assurance services. In carrying out audit work they comply with the following statutory requirements:

The Audit Commission Act 1998
The Code of Audit Practice
The Local Government Act 1999
Accountancy and Audit Regulations 2003

They work with the Council on the improvement planning process to ensure that the work they perform is co-ordinated and targeted on the Council's key areas for improvement.

The Audit Commission's Relationship Manager also co-ordinates the work of other inspectors as part of this process.

Audit Commission

In August 2010 the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies.

Eventually the Audit Commission's responsibilities for overseeing and commissioning local audit will stop, as will their other statutory functions, including those relating to studies into financial management and value for money. At that point the Audit Commission will be disbanded.

The Audit Commission is working with the DCLG to consider ways of transferring their existing in-house audit practice into the private sector.

Until the new audit regime is introduced the Audit Commission will continue to appoint auditors to Councils, NHS bodies (excluding NH
S Foundation trusts), police authorities and other local public services in England and to oversee their work.
However, until consultations are complete, there is a degree of uncertainty regarding the future audit regime

Audit Committee

The Council's Audit Committee comprises five Councillors and three Independent Members supported by the Head of Finance and Devon Audit Partnership's Assistant Head of Partnership.

The Committee has responsibilities with respect to both Internal and External Audit, and monitors the nature and scope of audit work performed. It reviews reports and annual audit letters with departmental management, makes recommendations to Cabinet and oversees the interaction of the Council with its external auditor.

The Audit Committee has responsibility to:

- Approve, support and monitor the implementation and ongoing processes for
- identifying and managing key risks of the Council
- Monitor the Council's compliance with its own published standards and
- controls and recommend any necessary changes to Financial Regulations and Standing Orders
- Monitor the progress and performance of Internal Audit
- Consider Internal Audit's annual report and comment annually on the
- adequacy and effectiveness of internal control systems
- Monitor the performance of the Treasury Management function
- Review and advise the Cabinet and Council on the content of the Annual
- Governance Statement and Statement of Accounts
- Keep under review corporate policies e.g. the Anti-fraud Strategy

Internal and External Audit work closely together to maximise opportunities for synergy between the two services.

Overview and Scrutiny

The Council has previously reviewed and updated its scrutiny arrangements and established an Overview and Scrutiny Management Board to co-ordinate the scrutiny function.
The Board challenges and supports the Cabinet and provides checks and balances by examining major policies, plans, services and financial issues. It is responsible for monitoring, reviewing, selecting and scrutinising decisions made by and on behalf of the Council. The Board was also responsible for scrutiny of the Local Strategic Partnership.

From May 2011 the Board is made up of twelve non-executive members (appointed on political proportionality) and two co-opted representatives which makes scrutiny independent of the Cabinet. The Chairs of the five Overview and Scrutiny Panels and seven other Councillors carry out the work of the Board.

There are five Overview and Scrutiny Panels each of which has a responsibility for scrutiny of a particular area of Council operation. The panels also discharge the Council's statutory function with respect to scrutiny of health and the crime and disorder reduction partnership. When carrying out their investigations, the Panels have the authority to ask Cabinet Members and Officers of the Council to attend meetings to answer questions the Panel might have about their work, the reason for decisions and why any problems have occurred within the Council's performance.

Review of Effectiveness

Plymouth City Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control, including a review of the effectiveness of the system of internal audit. Assurance is sought from a number of sources including a review of Internal and External Audit and Inspection reports, review of current action and improvement plans, review of internal audit arrangements by the Audit Committee and through dialogue with key officers.

The Council is subject to a number of audits and inspections. These help to inform the development of a strong control environment and to develop risk management processes. The Council has an established Risk Management Policy.

In reviewing the current control environment, reports issued by external bodies (Audit and Inspection) and reports produced by Internal Audit have been reviewed to ensure that a comprehensive assessment of the current control issues has been made and that all potential areas of significant risk are being addressed within the internal control environment.

Directors complete an Assurance Questionnaire reviewing the control environment within their Department and the results of the questionnaires have been used to inform the assessment of significant governance issues for the Council.

Significant Governance Issues

As part of the review of the effectiveness of the system of internal control the governance issues summarised below have been assessed as being significant for the purposes of this Statement:

Medium Term Financial Strategy

The Council's Medium Term Financial Strategy (MTFS) was updated and presented to Cabinet following the Comprehensive Spending Review announcements of 20 October 2010 and earlier announcements from the Coalition Government.

The strategy has now been subject to further review as part of the 2011/12 detailed budget exercise and following the 2010/11 outturn position, and presented to Cabinet 7 June 2011.

The Comprehensive Spending Review (CSR) was published in October 2010 and national headlines are a real terms reduction of 28% in local authority budgets over the next four years. The fall in grant is more than 7% a year. However, it is difficult to do a straight comparison of 2011/12 funding from grants with previous years as the Government has included a number of specific grants within the formula grant, and excluded others previously included.

The revised Medium Term Financial Strategy, (MTFS), covers the period 2011-15. It identifies the likely costs and pressures that the Council will face and matches these against the anticipated resource allocation over the period against reduced funding.
There remain a number of significant financial pressures that the Council will face in the medium to long term including:

- the increased cost of waste collection and disposal;
- growing elderly population and care demand;
- increasing number of child care referrals;
- increasing expectation of effective partnership working alongside a reduction in funding for our key partners;
- significant shortfall in the funding of the Council's pension fund;
- un-costed contingent liabilities

As an integral part of the 2011/12 budget, each department has developed Budget Delivery Plans, which for 2011/12 total £13.3m. It is now essential that we ensure robust, regular monitoring of progress against these plans.

Our ability to generate income also remains under pressure. We continue to strive to improve our income collection rates in all major areas including Council tax, NNDR and sundry debtors. Challenging income targets have been set for 2011/12 however there is a risk that the economic climate could continue to impact on our ability to be able to achieve these targets.

Alongside existing financial pressures there is a need for significant future investment in our ICT systems. The Council needs to fundamentally change the way in which it works to meet the challenging diminishing resources that we face and better joined up systems, integrated around the customer, will be crucial.

We still have an ambitious and significant investment programme in physical assets and local infrastructure. However the Council has reviewed and updated its medium term capital programme considering the current economic climate, accounting for future risks around government capital allocations and achievability of capital receipts.

Civic Centre Listing

The listing of the Civic Centre as a Grade II building by English Heritage continues to have a potentially significant financial impact on the Council.

In order to properly address the impact of the Grade II Listing, the Council worked with English Heritage and Avanti Architects, to identify the scope of a variety of potential refurbishment options for the building. Following the completion of the joint EH/PCC Feasibility Study the Council progressed with analysis of the Options arising from the Study and conducted a formal marketing exercise of the Council's freehold interest in the Civic Centre, Council House and the Civic Centre car park. Expressions of interest from developers have now been received and a number of development options are being considered in the context of the Council's overall Accommodation Strategy and current property market conditions.
As on-going work the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks.

Employee Relations

The Council faces a potentially significant risk of litigation and awards relating to employment practices. It therefore maintains an in-house resource to advise on legal matters and risks in relation to employment issues and risks. The in-house resource primarily acts on behalf of the Council for equal pay disputes, grievances and Employment Tribunal claims and case management discussions at Tribunal.

No provision for successful claims has been made within the Authority's accounts although a capitalisation direction has previously been offered on the conclusion of claims through compromise agreements.

The Comprehensive Spending Review in October 2010 imposed significant budget reductions across the Council which has necessitated a major review of staffing levels and costs.

Extensive negotiations are therefore continuing with Trade Unions over a package of proposed changes to staff Terms and Conditions.

The Trade Unions also continue to be consulted on the implications of departmental delivery plans drawn up to achieve budget reductions across all Services as a result of the Government spending cuts.

The Council's core system for payroll is expected to be retendered and transferred during 2011/12. Proposals and a business case will ensure sufficient resource and time allocated for the maintenance and provision of this core system including business continuity and a second data centre as part of the programme funding.

Health Inequalities

Health inequalities have been identified in the Plymouth Report as the most pressing equality issue in our city. This has led to significant differences in life expectancy between different Neighbourhoods and between men and women.

In order to address this, the Council has worked with Plymouth 2020 partners to set targets to close this gap. An interim action plan was delivered last year to kick start work addressing health inequalities, and a new plan from 2011/12, is being developed via the Plymouth 2020 Partnership.

The Council is seeking to be an early adopter of a Health & Well Being Board which will give further focus on health inequalities and identify need through a Joint Strategic Needs Assessment. The Council is also working on plans for the transfer of Public Health from the Primary Care Trust to the Council, which will support this agenda.

Carefirst

It was reported to the June 2010 Audit Committee that "Senior Management has demonstrated strong leadership by taking on board the findings of the 2009/10 audit review and taking swift and proactive action to address the issues raised". The associated improvement programmes continue, with the dedicated CareFirst Team providing the necessary core of expertise and focus.

The Carefirst application and associated work processes remain crucial components in the safeguarding and supporting of the vulnerable within the local community and funding has been identified for the CareFirst programme through to the 2014/15 financial year.

Improvements continue to be made in each of the four key areas of control identified within the 2009/10 internal audit report. Governance is much improved with good clarity, and links, between strategic and operational structures, improved training processes and a good level of interest and support from members. Significantly, there has been a marked improvement in user perception of CareFirst, with the staged approach to process engineering and improving reporting providing both beacons of good practice and the champions for the changes occurring.

Although improvements are being made to operational procedures and data security, concerns still remain. Despite proceeding satisfactorily, improvements to operational processes will take time to re-engineer and implement across what is a wide array of service areas. Both user management and change management is vastly improved, but the human and cultural factors that impact on data security mean that good practice will take time to fully embed.

The Adult Social Care care-cycle like for like implementation is already underway with the staged transfer to CF6 commenced and completion planned for early July 2011. Work has also commenced on the enhancements to support the Adult Social Care Transformation programme with the first phase of mobile working planned for pilot in the early stages of July 2011.

A formal audit review of CareFirst is planned for the third or fourth quarter of 2011/12 following the migration of Adult Services to CF6, taking into account the key risks of change.

Waste PFI/Future Landfill Allowance Trading Scheme Liabilities

The Private Finance Initiative (PFI) procurement phase for a long-term waste solution was completed to budget and programme with contracts signed in March 2011. Defra confirmed their award of PFI credits to the project in March 2011 and operational commencement is scheduled for 2014 subject to obtaining planning approval in 2011/12.

The project delivery phase continues to be steered and monitored by a Partnership Joint Committee of Councillors and a Partnership Project Executive consisting of senior officers from each of the three Councils.

The project risk register has been refreshed to recognise the project delivery phase risks - the key risk being obtaining successful and timely planning approval. Operational delay consequences have been mitigated as far as possible within the PFI contract and continued waste disposal can be maintained through existing landfill contracts and by purchase of any LATS (Landfill Allowance Trading Scheme) credit shortfall - however continued landfill disposal will have additional budget implications.

Recycling rates improved by around 2% in 2010/11 through new initiatives and hence biodegradable waste to landfill also reduced which has ensured that the Council will remain within its LAT allowances for 2011/12. However it is still forecast that the Council will exceed its LATS allowances in 2012/13 and will need to purchase additional LATS credits until the new PFI solution is in place or the LATS scheme is abolished.

The Council's LATS strategy and purchase needs to be reviewed following the Government's Waste Strategy Review expected summer 2011.

Carbon Reduction Commitment Energy Efficiency Scheme (CRCEE)

Created by DECC and administered by the Environment Agency, the Carbon Reduction Commitment Energy Efficiency Scheme (CRCEE) imposes a carbon tax onto 5,000 of the largest organisations in the UK. The first carbon tax year is April 2011 – March 2012, where £12 will be levied for every tonne of carbon Plymouth City Council emits. The tax is fixed until March 2013, after which the 'carbon credits' will be floated on an open market, and capped by 10% every year which is expected to increase the cost of carbon. The tax burden for 2010/11, payable in April 2012, is anticipated to be £350,000.

A league table will be published in October of each year showing the participants' ability to reduce carbon relative to each other. The first league table is due in October 2011, where participants will be compared against their ability to achieve 'Early Action Metric' points. Points are allocated based on an organisation's ability to manage carbon effectively according to a recognised standard, and based on the amount of energy covered by devices commonly known as 'Smart Meters'.

Plymouth City Council has taken following measures to mitigate against the legal, reputational and financial risks associated with the CRCEE:

- Setting up of a carbon management working group with relevant stakeholders across the Council
- Working with internal audit to ensure compliance.
- Working towards accreditation of the carbon management standard ISO14064
- Installation of 'Smart meters' across our building portfolio and schools
- Using an energy management system for more effective energy demand and billing control

Partnerships

The Council increasingly delivers services via partnership delivery mechanisms and recognises that this creates risks as well as opportunities. In many instances these relationships bring additional grant funding to the Council and provide increased opportunities to improve the quality of life for the people of Plymouth.

Recognising that each partnership will require differing levels of governance depending on the complexity of the agreement, the Council has produced a Partnerships Register which assesses each partnership for significance.

Significant partnerships have their own risk registers and risk is managed through Partnership and Programme Boards as a routine part of performance management.

However, in order to improve consistency and produce a standard governance framework for the setting up and management of partnership arrangements, particularly with regard to financial implications and the management of risks and opportunities, the Council has produced a draft Partnerships Code of Practice which is due to be consulted upon with key stakeholders.

Information Governance

In September 2010, the Internal Audit Service issued a report which concluded that fundamental weaknesses existed in the Council's corporate information management arrangements. The findings of that report were accepted by the Council's Senior Information Risk Officer and Corporate Information Manager and were discussed at Audit Committee in November 2010.

The report included an Action Plan which is now being progressed. The Corporate Information Manager has attended Audit Committee, in March 2011, to update them on the positive steps that are being taken to embed information management principles throughout the organisation and other key actions which are being taken to formalise responsibilities and improve staff training and awareness.

As a first step, the Operational Risk Management Group has led on the inclusion of information governance risks in all departmental risk registers and the baseline information from this exercise will inform future mitigation actions.

The Audit Service has now completed a follow-up exercise to establish the extent of progress made towards implementing the recommendations contained within the report and this review has confirmed that the agreed actions are being taken in a logical and orderly fashion. Progress will continue to be monitored and reported on a regular basis.

Health and Social Care Reforms

The proposed Health and Social Care Bill for the reform of the NHS currently under national consultation brings a range of potential opportunities and risks for the Council. These include:

The establishment of *Health and Wellbeing Boards* to oversee the strategic commissioning of health improvement and the delivery of integrated services. As the proposed White Paper is under a further stage of consultation the exact implications are unclear: however in order to mitigate these the Council alongside NHS Plymouth is piloting the new approach as a pathfinder.

The legal duty for Councils to establish *HealthWatch* organisations to scrutinise the local NHS. The funding for these services is not yet clear and this remains a risk to the Council although there are strong indications that funding will reflect the current level in local LINKS which the Bill will abolish.Governance arrangements are a minor risk as the plan is for links to be governed nationally under an umbrella organisation. Risks to the Council will be mitigated through the procurement process once the Bill is passed. The Council is supporting Links to become a pathfinder for HealthWatch.

The transfer of some *Public Health* responsibilities from the NHS to Local Government and the establishment of Public Health England. As yet the division of statutory duties and funding between Public Health England and Local Government remain unclear: risks are potential mismatches in the transfer of funding and responsibilities.

Establishment of *GP commissioning consortia* and the abolition of PCTs and Strategic Health Authorities remains a fundamental plank of the NHS reforms but the extent to which GPs will manage financial risk is still under debate.The key opportunity for the Council is around the need to establish new relationships with GPs as strategic commissioning partners and ensure the local arrangements particularly in relation to the Quality Innovation, Improvement and Productivity (QIPP) programme are maintained.

Actions underway to mitigate these risks include a programme of meetings and events with leading GPs to establish new relationships and accelerating of the Adult Social Care transformation programme and investment into social care reablement.

In addition to the NHS reforms, the national Transforming Community Services (TCS) programme has resulted in Plymouth in the separation of provider functions from commissioning within the PCT and the plans to establish a new organisation providing community health care as a social enterprise (SE). The current partnership arrangements for learning disability and mental health services will need to be reviewed as part of these changes.

<u>Reduction in government funding for housing and regeneration schemes</u>

As a result of the Comprehensive Spending Review, capital funding nationally has been reduced by 70%, and a new Affordable Rent Tenure (ART) is introduced with less grant per home and a correspondingly higher proportion of private sector funding and rent levels.

While we have a good programme for 2011/12, we need to ensure investment comes into Plymouth in the following years of the new CSR. Private Sector Renewal Grant has been deleted which reduces our ability to improve poor standard privately rented or owned homes, and support adaptations to the level we have previously.

To mitigate the impact of this we have:

- Engaged with partners to analyse the housing market impact and have developed a ' Plymouth ask' to maximise investment, while mitigating ART impact on affordability.
- Included Council owned sites for affordable housing as packages to input into the bids to ensure we capture and maximise investment into Plymouth
- Re-profiled and managed last year’s capital spend to ensure we focus on essential / mandatory private sector housing issues to support adaptations and other private housing interventions over the next two years
- Begun a revision of the Private Sector Assistance Policy to include a range of loans as well as grants to stretch money further.

<u>Statutory compliance – corporate asset management</u>

Further to changes in the Council organisation following initiatives like stock transfer, in order to ensure continuing legislative compliance and provide a clear and efficient service to customers and members of the public for identification of property responsibility, consideration is required over the internal ownership of Council land and buildings. There is potential risk for the Council that currently buildings are not fully compliant for Legislative safety testing like gas, electricity and water. Non-compliance could expose the Council to the risk of prosecution and litigation for claims.

With further future potential operational changes like the Council's accommodation strategy a consistent approach to management of Council property is required to ensure opportunities for efficiencies are maximised and potential risks are minimised.

The Council is looking to move to a “Corporate Landlord” model under which the ownership and management of all corporate assets will be centralised in one area to ensure that all buildings are subject to existing corporate testing contracts.

<u>Education Reforms</u>

The Council’s *Investment for Children* strategy which was adopted in December 2008 encourages schools to develop independence in the context of increased collaboration between schools. The Councils relationship with schools is changing from a provider of education to a commissioner of education places. The Council’s strategy maps out this different relationship.

The Academies Act 2010 has changed dramatically the way in which Schools can seek greater independence and the encouragements, particularly financial, have resulted in a rapid increase in the pace of this change. As of the 1st April 2011 Plymouth had the highest proportion of Academies in the country as 7 secondary schools converted on that date, taking the number of Academies in the city to 11.

Academy transfers result in a financial loss for central Council budgets but a gain in academy budgets. The net position for Plymouth is a substantial gain. It was reported to CMT in the spring that the modelled position on the likely transfers would be of the order of £6m increase. Nevertheless there is a substantial risk that the reducing Council budgets, combined with reduction budgets from the fiscal position of all Councils could result in a reduction of services to schools that remain in the maintained sector.

To mitigate the impact of this we have:

- Developed a Corporate Impact Group that includes Finance, Legal, Human Resources, Property and Education officers and which deals with the transfers and seeks long term protections in the legal transfer documents.
- Developed an Academy Trading Fair document that seeks to ensure there is clarity for Academies on the Local Authority services, their cost and their value.
- Worked through Head teacher associations, PASH, SHAP and PAPH, to maintain the challenge to Academies that retains the collaborative approach in the city.
- Maintained the cohesive nature of Schools Forum in the financial fairness and transparency in funding for schools which allows the financial effects of Academy transfers to be comprehensively understood.

Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for further improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

To the best of our knowledge, the internal control environment as defined above has operated effectively during the year.

Bronwen Lacey Director of Services for Children and Young People	Cllr Vivien Pengelly Leader of the Council	Adam Broome Director for Corporate Support
Dated 29 June 2011	Dated 29 June 2011	Dated 29 June 2011

MOVEMENT IN RESERVES STATEMENT FOR THE YEARS ENDED 31 MARCH 2010 AND 2011

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Note	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009		**11,739**	**34,952**	**2,042**	**0**	**5,376**	**237**	**19,045**	**73,391**	**650,068**	**723,459**
Movement in Reserves during 2009/10											
Surplus or (deficit) on the provision of services		(517,292)	0	0	0	0	0	0	**(517,292)**	0	**(517,292)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	**0**	(72,422)	**(72,422)**
Total Comprehensive Income and Expenditure		**(517,292)**	**0**	**0**	**0**	**0**	**0**	**0**	**(517,292)**	**(72,422)**	**(589,714)**
Adjustments between accounting basis & funding basis under Regulations	8	510,792	0	0	0	15,982	(9,492)	1,177	**518,459**	(519,978)	**(1,519)**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(6,500)**	**0**	**0**	**0**	**15,982**	**(9,492)**	**1,177**	**1,167**	**(592,400)**	**(591,233)**
Transfers to/from Earmarked Reserves	23	6,279	(6,366)	(250)	0	0	9,255	0	**8,918**	(8,921)	**(3)**
Increase/Decrease in 2009/10		**(221)**	**(6,366)**	**(250)**	**0**	**15,982**	**(237)**	**1,177**	**10,085**	**(601,321)**	**(591,236)**
Balance at 31 March 2010 carried forward		**11,518**	**28,586**	**1,792**	**0**	**21,358**	**0**	**20,222**	**83,476**	**48,747**	**132,223**
Movement in Reserves during 2010/11											
Surplus or (deficit) on provision of services		(16,299)	0	0	0	0	0	0	**(16,299)**	0	**(16,299)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	0	**0**	170,725	**170,725**
Total Comprehensive Income and Expenditure		**(16,299)**	**0**	**0**	**0**	**0**	**0**	**0**	**(16,299)**	**170,725**	**154,426**
Adjustments between accounting basis & funding basis under Regulations	8	19,339	0	0	0	932	0	(6,451)	**13,820**	(13,820)	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**3,040**	**0**	**0**	**0**	**932**	**0**	**(6,451)**	**(2,479)**	**156,905**	**154,426**
Transfers to/from Earmarked Reserves	23	(3,146)	4,571	(1,792)	0	200	0	0	**(166)**	167	**1**
Increase/(Decrease) in 2010/11		**(105)**	**4,571**	**(1,792)**	**0**	**1,132**	**0**	**(6,451)**	**(2,645)**	**157,072**	**154,427**
Balance at 31 March 2011 carried forward		**11,413**	**33,157**	**0**	**0**	**22,490**	**0**	**13,771**	**80,831**	**205,819**	**286,650**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT AT 31ST MARCH 2011

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000			2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
91,646	(19,003)	72,779	Adult Social Care		93,735	(20,005)	73,730
5,401	(88)	5,313	Corporate & Democratic Core		5,425	(81)	5,344
84,355	(23,723)	60,632	Cultural, Environmental, Regulatory & Planning Services		84,773	(24,015)	60,758
26,921	(22,133)	4,788	Central Services to the Public		28,014	(23,485)	4,529
328,384	(216,349)	112,035	Childrens And Education Services		357,715	(220,293)	137,422
103,219	(97,071)	6,148	Housing Services		108,164	(94,611)	13,553
31,832	(30,139)	1,693	Housing Revenue Account		(752)	(28)	(780)
29,580	(11,373)	18,207	Highways & Transport Services		28,906	(11,455)	17,451
7,523	0	7,523	Non Distributable Costs	6	3,534	(92,112)	(88,578)
708,861	**(419,879)**	**289,118**	**Surplus/Deficit on Continuing Operations**		**709,513**	**(486,085)**	**223,429**
463,625	(2,396)	461,501	Gain or Loss on Disposal of Fixed Assets	12.8	26,265	(1,437)	24,828
2,047	(22,596)	(1,504)	Other Operating Expenditure	9	114	(2,029)	(1,915)
83,188	(43,327)	20,405	Financing and Investment Income and Expenditure	10	78,316	(47,430)	30,886
1	(215,183)	(252,229)	Taxation and Non-Specific Grant Income	11	212	(261,141)	(260,929)
		517,292	**Surplus or Deficit on Provision of Services**		**814,419**	**(798,122)**	**16,299**
		(28,782)	Surplus or deficit on revaluation of fixed assets	23.4			(18,817)
		0	Financial Instruments account				0
		101,204	Actuarial gains / losses on pension assets / liabilities	37			(151,908)
		72,422	**Other Comprehensive Income and Expenditure**				**(170,725)**
		589,714	**Total Comprehensive Income and Expenditure**				**(154,426)**

BALANCE SHEET AT 31ST MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2009 £000	31st March 2010 £000		Note	31st March 2011 £000
			2	
1,241,907	693,990	Property Plant and Equipment	12	638,367
88,635	87,296	Investment Property	13	78,025
1,860	1,783	Intangible Assets	14	1,646
51,342	29,088	Long Term Investments	16	11,920
969	1,336	Long Term Debtors	17.1	731
1,384,713	**813,493**	**Non current Assets**		**730,689**
149,134	46,288	Short Term Investments	16	61,122
991	429	Stock		569
39,298	47,874	Short Term Debtors	17.2	35,173
26,508	79,448	Cash and Cash Equivalents	19	92,944
502	2,510	Assets Held for Sale	20	3,057
0	0	LATS allowances	18	875
216,432	**176,549**			**193,740**
(113,250)	(76,918)	Short Term Borrowing	16	(96,952)
(67,952)	(71,559)	Short Term Creditors	21.1	(60,302)
(3,794)	(2,629)	Short Term Provisions	22	(2,907)
(184,996)	**(151,106)**	**Current Liabilities**		**(160,160)**
(17,691)	(20,661)	Long Term Creditors	21.2	(18,757)
(8,044)	(8,141)	Long Term Provisions	22	(7,879)
(263,405)	(160,348)	Long Term Borrowing	16	(193,991)
(73,021)	(68,181)	Long Term Liabilities Other	21.3	(34,780)
(330,530)	(449,381)	Long Term Liabilities Pensions	37	(222,212)
(692,691)	**(706,712)**	**Long Term Liabilities**		**(477,619)**
723,459	**132,223**	**Net Assets**		**286,650**
73,391	83,476	Usable Reserves	23.1, 23.2	80,831
650,068	48,747	Unusable Reserves	23.3	205,819
723,459	**132,223**	**Total Reserves**		**286,650**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

2009/10 £'000			2010/11 £'000
(517,292)	Net (Surplus) or Deficit on the Provision of Services		(16,299)
1,950,828	Adjustment to Net (Surplus) or Deficit on the Provision of the Services for Non Cash Movement	A	439,586
(64,671)	Adjustment for Items included in the net (Surplus) of Deficit on the provision of services that are investing and Financing Activities	A	(415,395)
1,368,865	Net Cash Flow from Operating Activities		7,892
(1,266,594)	Investing Activities	C	(19,730)
(49,331)	Financing Activities	D	25,334
52,940	Net Increase or Decrease in Cash and Cash Equivalents		13,496
26,508	Cash and Cash Equivalents at the beginning of the Reporting Period	E	79,448
79,448	**Cash and Cash Equivalents at the end of the Reporting Period**	E	92,944

INDEX OF NOTES TO THE SINGLE ENTITY ACCOUNTS

1. Accounting Policies

1.1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (The Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

<u>Customer and Client Receipts</u>
Customer and client receipts in the form of sales, fees, charges and rents are accounted for as income at the date the Council provides the relevant goods or services. A recommended de-minimus of £500 is applied at the year-end for goods and services the Council has provided but for which payment has not yet been received.

<u>Supplies and Services</u>
The cost of supplies and services are recorded as expenditure when they are consumed or received. Accruals are made for all material sums unpaid at the year-end for goods or services received or works completed. However, certain quarterly payments (e.g. gas, electricity, telephones) are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. A de-minimus of £500 is generally applied for all accruals unless they are automatically accrued via the Financial System, Civica Authority Financials, where there is no de-minimus value.

Where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

<u>Works</u>
Works to external organisations are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet. Internal departments are charged for works in progress at year end.

<u>Interest</u>
Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by contract.

1.3. Cash and Cash Equivalents

The Council defines the following deposits as cash and cash equivalents:

Cash:
- Cash in hand
- On demand call accounts
- Money Market Funds

Cash equivalents:

- Notice accounts of 30 day duration or less
- Fixed term deposits of less than 1 month
- Deposits with the Government Debt Management Office (DMO) for a period of less than 1 month

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.4. Exceptional (Material) Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in notes to the accounts, depending on how significant the items are to an understanding of the Council's performance.

Note 5 page 78 explains in more detail material items for 2010/11.

1.5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Note 8 and the Explanatory Forward provide further details of changes to accounting policies applied for 2010/11.

1.6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the Minimum Revenue Provision (MRP) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.7. MRP Policy

The Council's MRP policy is as follows:

Supported Borrowing
For borrowing supported by Revenue Support Grant the Council will use the Regulatory Method to calculate MRP. For the purposes of the calculation, an adjustment, referred to as adjustment A, will continue to be made to the Capital Financing Requirement (CFR) at the value attributed to it in financial year 2004/05.

Unsupported Borrowing
For new borrowing under the prudential system for which no Government support is being given and is therefore self-financed, MRP will be made in equal annual instalments over the life of the asset.

Capitalisation Directions
For capitalisation directions on expenditure incurred since 1 April 2008 MRP will be made in equal annual instalments over 20 years in line with Department of Communities and Local Government (CLG) guidance.

Private Finance Initiative (PFI)/Leases
MRP in respect of PFI and finance leases brought on Balance Sheet under the 2009 Statement of Recommended Practice (SORP) and IFRS will be based on a charge equal to the amount that has been taken to the Balance Sheet to reduce the liability.

In all cases MRP commences in the financial year following the one in which the expenditure is incurred or when the asset becomes operational if this is later.

1.8. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave, flexi and TOIL as well as bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu, flexi) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

No accrual is generally made for employee costs paid monthly in arrears, such as overtime and car allowances. This is in line with practice adopted in previous years and the accounts for 2010/11 therefore incorporate transactions relating to March 2010 to February 2011 for these items.

Termination Benefits (eg Redundancy Payments)

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the surplus/deficit on continuing services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits (Pensions)

Employees of the Council are members of two separate pension schemes:

- The Teachers Pension Scheme, administered by Capital Teachers' Pensions on behalf of the Department for Education (DFE);
- The Local Government Pensions Scheme, administered by Devon County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council.

Teachers Pension Scheme

The arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

However, the Council is able to supplement teachers statutory retirement benefits with locally determined decisions (discretionary payments). The future liability for such decisions is a true cost to the Council and is assessed annually by the Actuary and included within the total pension liability on the Balance Sheet.

Local Government Pension Scheme

All Council employees (with the exception of teachers) are eligible to join the Local Government Pension Scheme. The Local Government Scheme is accounted for as a defined benefits scheme.

The liabilities of the Devon Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5%.

The assets of the Devon Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year- allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase (or decrease) in liabilities arising from current year decisions whose effect relates to years of services earned in earlier years- debited (or credited) to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid- debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return- credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses- changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions- debited or credited to the Pensions Reserve;
- contributions paid to the Devon Pension Fund – cash paid as employers' contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the movement of Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The Actuary for the Devon County Pension Scheme is Barnett Waddingham.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers as outlined above, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.9. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. Note 7 provides more detail on events after the Balance Sheet date.

1.10. Financial Instruments

Financial liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument.

Loans/Borrowings-The Council's loans are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The Council has incurred fees of £0.070m in 2010/11. These have not been added to the value of the loan but charged direct to revenue. Whilst this is a departure from the Code/standard, the transactions fees should be considered in the light of total loans on the Balance Sheet of £290.943m.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of the repurchase or settlement. However, where repurchase has taken place as part of a restructuring of a loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, Regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or the discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (FIAA) in the Movement in Reserves Statement.

Trade Creditors- Where expenditure has been recognised but cash has not been paid, a creditor for the relevant amount is recorded in the Balance Sheet. Trade creditors fall within the definition of a financial instrument and are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. The Council defines short duration as a period of up to one year and therefore, trade creditors included within the current liabilities section of the Balance Sheet are measured at original invoice value.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;
- Available for sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council does not have any available for sale assets.
Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Investments –Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans (Investments) that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement receivable for the year in the loan agreement.

The fair value of investments as at 31 March 2011 and the methods and assumptions in valuation techniques is outlined in the Financial Instruments Disclosure Note 16 page 95.

All investments are managed internally by the Council's Treasury Management Officers.

Soft loans - The Council has made a small number of loans to other parties at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest foregone over the life of the instrument resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from these bodies, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable in the financial year. The reconciliation of amounts debited or credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the FIAA in the Movement in Reserves Statement.

Car loans-The Council has made a number of car loans to staff at preferential interest rates. These are carried at cash value and not adjusted to amortised cost. The total amount outstanding on car loans on 31 March 2011 was £0.028m.

Short-term Trade Debtors- Where income has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Trade debtors fall within the definition of a financial instrument are required to be measured using the effective interest rate method, unless they are of 'short duration with no stated interest rate' in which case they may be measured at original invoice value. Debtors included within the current assets section of the Balance Sheet are therefore measured at original Invoice value, less a provision for uncollectability of debt.

Long Term Debtors-The Council may provide financial assistance to individuals or organisations in the form of a loan, including for example the granting of mortgages to individuals to purchase their Council Houses under the Right to Buy (RTB) Legislation. Where the repayment period exceeds one year these are classified as Long Term Debtors on the Balance Sheet.

This debt is required to be reflected on the Balance Sheet at amortised cost and interest charged to the Income and Expenditure Account based on the effective interest rate method.

An element of Social Care debt is recovered by means of a charge on the client's property. This debt may not be recovered in the next financial year and is therefore included within long term debtors. This debt is not subject to an interest charge .

Impairment

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service, for receivables specific to that service, or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Financial Guarantees entered into before 1 April 2006

The Council entered into a financial guarantee arrangement with PLUSS before 1 April 2006 which is not required to be accounted for as a financial instrument. The Council does not therefore recognise the guarantee to PLUSS in its Balance Sheet, but continues to disclose the guarantee as a contingent liability.

1.11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions (including Section 106 and 278 Developer contributions) and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where Revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

Capital grants are posted to the Taxation and Non-Specific Grant Income section of the Comprehensive Income and Expenditure Account, unless they are used to finance Revenue Expenditure Financed from Capital under Statute (REFCUS) spend in which case they are posted to the relevant service line. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Grants paid to the Council as the accountable body are only recognised to the extent that they are used towards Council expenditure.

Area Based Grant
Area Based Grant (ABG) -is a general grant allocated by Central Government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1.12. Agency Services

Business Improvement District (BID)
The Council acts as an agent for Plymouth City Centre Company. The Council does not recognise income and expenditure relating to the Company in its accounts.

Plymouth Primary Care Trust
The Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust and strategic partners. The Council does not recognise income and expenditure in respect of these activities within its accounts. The Council does receive an administration fee which is included within surplus/deficit on continuing services (Adult Social Care).

Council Tax
The Council, as billing authority for Council Tax, acts as an agent on behalf of the Devon & Cornwall Police and Devon & Somerset Fire Authorities. The Council includes a debtor or creditor in its Balance Sheet for deficits/surpluses on the Collection Fund attributable to the two precepting authorities at year end.

NNDR
The Council acts as an agent of the Government when collecting NNDR. The Council recognises a creditor or debtor for cash collected from NNDR debtors as an agent for the Government, but not yet paid (or overpaid) to the Government at the Balance Sheet date.

1.13. Intangible Assets

Expenditure on non monetary assets that do not have physical substance but are identifiable and controlled by the Council as a result of past events is capitalised when it will bring benefits to the Council for more than one financial year. Intangible assets on the Council's Balance Sheet relate to the purchase of software licences.

Internally developed intangible assets such as the development and implementation of computer systems and development of the Councils website are not capitalised but are written down to the relevant service line(s) and reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account under the provisions for Revenue Expenditure Funded from Capital Under Statute.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.14. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates, or jointly controlled entities and require the Council to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses. The companies included in the Council's group accounts for 2010/11 are:

- Theatre Royal Ltd (part year);
- Plymouth Investment Partnership Ltd.,
- PLUSS;
- Tamar Science Park;
- Tamar Bridge and Torpoint Ferry Joint Committee.

These Accounts are shown on pages 178 to 187 and, in general, follow the accounting policies outlined in this section. Where there are departures from these policies, for example, in order to comply with IFRS, these are detailed within the Group Accounts, “Supplementary Statement of Accounting Policies relevant to Group Accounts”, page 186

Interests in entities that are not material are disclosed as a note to the accounts.

1.15. Inventories and Long Term Contracts

Inventories (Stocks and Work In Progress) are shown in the Accounts at cost (less any foreseeable losses on Work In Progress). This is a departure from the Code, which states that stock should be included at the lower of cost and net realisable value, and is permitted since the valuation basis would not materially affect the Council's reported position. The total value of stocks in the Council's Balance Sheet is £0.569m compared to total current assets of £193.953m (0.29%).

Since stockholdings are reviewed on a continuous and rotational basis no provision has been made for obsolete stock or slow moving items.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. The Council has a long term contract with Amey to manage the Council's Local Transport Plan (LTP) revenue works, including maintenance, preplanned and ad hoc works on highways, footpaths, gritting, walls etc. Amey also undertakes design works and delivery of an element of the Council's capital Local Transport Plan programme.

1.16. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. These gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds greater than £10,000, the Capital Receipts Reserve.

1.17. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls, if any, and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.
Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Mount Edgcumbe Country Park is a jointly controlled asset with Cornwall Council. The management of the Park is overseen by the Mount Edgcumbe Joint Committee.

1.18. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee (Leased in assets)

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor, although in practice many of the Council's property finance leases are held on a long lease at peppercorn rental and there is therefore no matching liability on the Balance Sheet. Initial direct costs to the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Finance lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life and where ownership of the asset does not transfer to the authority at the end of the lease period.

The Authority is not required to raise Council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds as part of the MRP provision towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Leases entered into before 1 April 2004 that were not classified as credit arrangements under the pre-Prudential Framework regime continue to be financed as revenue transactions, even if they are finance leases under IAS 17. This means that Property Plant and Equipment and liabilities are recognised and depreciation charged in accordance with the Code, but that the bottom-line charge against the General Fund Balance needs to reconcile to the rentals payable for the year. This entails the finance costs being charged to the Comprehensive Income and Expenditure Statement and the principal part being debited as an appropriation from the General Fund Working Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Operating Leases
Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease).

Schools may make their own arrangements for operating leases using income from their schools budget share. These are included within total lease payments.

The Authority as Lessor (Council Assets leased out)

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet, whether Property, Plant and Equipment or Assets Held for Sale, is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet. In reality many of the Council's finance leases are in return for an one off premium and peppercorn rental and there is no matching long term debtor on the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Surplus/deficit on continuing services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

1.19. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The full cost of overheads and support services are recharged to services on the basis of time allocations or other appropriate measures of resources used with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

1.20. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. The Council operates a capitalisation de-minimus level of £10,000 for land and property and £5,000 for vehicle, plant and equipment. Spend below these levels is charged direct to revenue. However, there is no de-minimus for capital spend by individual schools financed from capital grants. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance ,ie, it will not lead to a variation in the cash flows of the Authority.

Donated assets are subject to a deminimus value of £10,000 for land and property and £5,000 for all other assets. Assets with a value in excess of the deminimus are capitalised and carried on the Council's Balance Sheet measured initially at fair value. The difference between fair value and any consideration paid for assets is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Many of the Council's donated assets are held within the museum and art gallery.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Schools are valued using DRC adjusted for modern equivalent asset valuation. Donated assets held at the museum and art gallery may be carried on the Balance Sheet at Insurance valuation, rather than as individual assets

Assets that local authority intend to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are clarified as community assets, and in this instance are generally valued at a nominal £1.

For non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains that arise from the reversal of a loss previously charged to a service are credited to the Comprehensive Income and Expenditure Statement.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, subject to a limit on the amount of the accumulated gains;
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance subject to a limit on the amount of the accumulated gains
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life such as freehold land and certain Community Assets, and assets that are not yet available for use (i.e., assets under construction). Depreciation is calculated on a straight line basis over the useful life of the asset as determined by the valuer. Depreciation is charged to the Comprehensive Income and Expenditure Statement based on values as at the start of the year. No depreciation is applied in year of acquisition or construction. The depreciation periods currently used are:

Operational Buildings	
Car parks	10 to 15 years
Schools	10 to 40 years
PFI schools	60 years
Administrative buildings	5 to 35 years
Libraries	10 to 60 years
Museums	20 to 60 years
Other buildings	5 to 60 years
Infrastructure	20 to 40 years
Vehicles and Plant	5 to 20 years
Community Assets	0 to 30 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

The Council's componentisation policy is as follows:

- Materiality Level
  -Assets with a building value of £2.5m or above are considered for componentisation on an individual assets basis.
  -Consideration is also given to groups of similar assets that individually are below the materiality level for componentisation but may collectively be material.

- Significance
  -Components with a value of 20% or above of the overall asset value are significant components.
  -In terms of schools, components are defined as separate school blocks or buildings and componentisation applied where the values meet the 20% criteria

- Different Asset Life
  The difference in life between the host asset and the component must be over 5 years for componentisation to be recorded.

Plant and equipment acquired as part of the construction or refurbishment of an asset is separately classified on the Balance Sheet at source and depreciated over asset life accordingly.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and the asset is being actively marketed, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the loss (gain) on disposal of fixed assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are no longer used for operational purposes but are not actively being marketed are revalued and reclassified as surplus but still retained within property plant and equipment and transferred to Assets Held for Sale only when a decision is made to actively market the asset.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the loss (gain) on disposal of fixed assets line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are required to be credited to the Capital Receipts Reserve. Capital receipts can then only be used for:

- new capital investment;
- set aside to reduce the Authority's underlying need to borrow (the capital financing requirement).

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.21. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Council has one PFI, the education contract to provide schools and related assets at Wood View Campus and primary school at Riverside, Barne Barton.

The original recognition of these assets based on the cost to construct or purchase the property, plant and equipment is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Council's PFI scheme the liability has been written down by capital contributions of £4.6m made over the period 2008 to 2011.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards finance liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs –recognised as additions to Property, Plant and Equipment when the relevant works are carried out, and capital criteria are met.

<u>PFI credits</u>
The Council receives a grant towards the cost of the PFI scheme. The grant is allocated to meet the finance costs in the first instance. The amount required to meet the finance lease liability, interest and contingent rent charge is allocated to the Taxation and Non Specific grant income in Comprehensive Income and Expenditure Statement. The remaining grant is treated as a specific grant and included within the Children's and Education service line.

Government grants received for PFI schemes, in excess of current levels of net expenditure, are carried forward as an earmarked reserve to fund future contract expenditure.

1.22. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>
Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, usually a cash payment, or service potential, and a reliable estimate of the amount of the obligation can be made, but where the timing of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required or a lower settlement than anticipated is made, the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Movements in provisions during the year are shown in Note 22 to the Core Statements on page 109

<u>Provision for Back Pay Arising from Equal Pay Claims</u>
The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. The Council successfully applied for a Capitalisation Direction for COPTE payments and estimated costs from claims submitted in 2007/08. An annual charge to repay the borrowing is made to the Movement in General Fund Balance as part of the MRP provision.

Statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. Therefore for claims submitted after 1 April 2008, the provision is balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance on the Equal Pay Back

Pay Account will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes
Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets, or a long term debtor if purchased for more than one year in advance of expected use, and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value. Any surplus or deficit for the year is credited or debited to the appropriate service line in the Comprehensive Income and Expenditure Statement, as is any reduction or increase in value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Details of the Council's contingent liabilities and assets is outlined in Note 38 page 158.

1.23. Reserves

The Council maintains a number of reserves which may be required for statutory purposes or set up voluntarily to earmark resources for future spending plans or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council tax for the expenditure.

Details of the Council's Revenue Reserves and the movement in the year are shown in Note 23 pages 112.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council– these reserves are explained in the relevant policies.

1.24. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to

meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council tax.

The Council treats the following as Revenue Expenditure Financed from Capital under Statute:

- Expenditure incurred on the acquisition or preparation of a computer program, including expenditure on the acquisition of a right to use the program, if the Council acquires or prepares the program for use for a period of at least one year for any purpose relevant to its functions.
- The giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure (except for advances made to officers as part of their terms or conditions of employment or in connection with their appointment).
- The repayment of any grant or other financial assistance given to the Council for the purposes of expenditure which is capital expenditure.
- Expenditure incurred on works to any land or building in which the Council does not have an interest, which would be capital expenditure if the Council had an interest in that land or building.
- Expenditure incurred on the acquisition or production of assets for use by a person other than the Council which would be capital expenditure if those assets were acquired or, as the case may be, produced for use by the Council.
- Capitalisation Directions approved by the Secretary of State.

1.25. Capital Salaries

The salary costs of technical staff working directly on the development and supervision of capital schemes are capitalised and added to the cost of the relevant scheme.

1.26. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recovered from them.

2. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements are explained below and a summary of the impact on the statements is provided at the end of this note.

The Code requires a third opening Balance Sheet when an authority applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. This note, and the resulting statements, therefore outlines the impact of the changes to accounting policies on the Balance Sheet for 1 April 2009 and 31 March 2010 and the impact on the Comprehensive Income and Expenditure Statement for 2009/10.

2.1. Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases

their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued Regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

The change in accounting policy has led to a restatement of the Balance Sheet for 1 April 2009 and 31 March 2010 to reflect an accrual for leave not taken at year end, offset by a debit to the Accumulated Absences Account. Charges to the surplus/deficit on continuing services have been adjusted for the movement in the accrual during 2009/10, reversed out via the Movement in Reserves Statement to the Accumulated Absences Account.

2.2. Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued Regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the Regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The 90% discounted value test previously applied to determine the classification of a lease between operating and finance has been replaced by the term 'substantially all' and supplemented by a number of subjective tests. The authority has reviewed its classification of property and equipment leases using the new criteria based on conditions existing as at 1 April 2009, and this has resulted in a small number of leases previously accounted for as an operating lease, to be reclassified as a finance lease. The changes affect both vehicle and equipment leases as well as two property leases. In addition, the Council has examined its major contracts and identified an embedded lease arrangement within the contract with Virador. This contract covers the management of the waste recycling facility at Chelson Meadow. The company acquired tractors and trailers specifically for use in delivery of the contract and it has been determined that these constitute a finance lease.

For each of the changes, the authority has recognised an asset on the Balance Sheet and created a corresponding finance lease liability, based on the values applicable at the inception of the lease. The assets on the Balance Sheet for 1 April 2009 have then been reduced for depreciation, based on the Council's normal depreciation policy, and the finance lease liability reduced for the assumed capital repayments up to 1 April 2009. The net values reflected on the Balance Sheet at 1 April 2009 are:

<u>Assets</u>	
Vehicles	£1.807m
Equipment	£0.793m
Investment Property	£1.904m
Finance Lease liability	£3.873m

The assets and liability added to the Balance Sheet differ due to the difference in amounts charged for depreciation which is based on a straight line charge over the life of the asset, and the annual write-down of the lease liability, which is based on a reducing balance.

The operating charge for 2009/10 within the surplus/deficit on continuing services has been reduced by the amount that relates to the original lease payments, and replaced by a depreciation charge. The depreciation charge has then been transferred from the General Fund to the Capital Adjustment Account with the adjustments reported in the Movement in Reserves Statement for the year.

The interest element of the lease payment has been charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

Where leases were entered into after 2004, the General Fund has been charged with a Minimum Revenue Provision equivalent to the annual lease liability write-down with the credit being made to the Capital Adjustment Account.

For leases entered into pre 2004, an appropriation has been made from the General Fund Working Balance to the Capital Adjustment Account in the Movement in Reserves Statement to ensure the annual charge to the Working Balance is equal to the original operating lease charge.

The reclassification of leases to a finance lease has led to an increase in the Council's Capital Finance Requirement (CFR) on 1 April 2009 of £2.449m.

2.3. Government Grants

Capital grants and contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- £28.154m of grants were received in previous year but not used. Previously, no income was recognised in respect of these grants, and they were shown in the Grants Unapplied Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grants with no conditions attached have been recognised in full, and transferred to the Capital Grants Unapplied Account within the reserves section of the Balance Sheet.
- £11.599m of capital grants have outstanding conditions at 31 March 2010. These have been removed from the Grants Unapplied Account and transferred to a Grants in Advance Account.

Revenue Grants

Revenue grants are required to be posted in full to the revenue account when they are received providing there are no outstanding conditions attached to the grant. Grants earmarked for expenditure but not utilised at year end had previously been held as a creditor on the Balance Sheet. The statements have been adjusted to release the full grant to the Comprehensive Income and Expenditure Statement. An equivalent transfer to an earmarked reserve has been made via the Movement in Reserves Statement.

2.4. Non- Current Assets

Investment Properties

To be considered an investment property, the property must be held solely to earn rentals or for capital appreciation or both. This is a much narrower definition than that applied under the previous Statement of Recommended Practice (SORP) and as a result a number of the Council's leasehold properties have been reclassified as operational assets and fall within property plant and equipment. These are required to be carried on the Balance Sheet at fair value and depreciated over the useful life of the asset. Properties previously held as an investment property would have been subject to revaluation but would not have attracted a depreciation charge. The reclassification has therefore led to an increase in the annual depreciation charge in the Surplus or Deficit on continuing operations. The depreciation charge has then

been transferred from the General Fund to the Capital Adjustment Account with the adjustments reported in the Movement in Reserves Statement for the year.

Authorities are required to account for investment property at fair value through the Surplus or Deficit on Provision of Services. Revaluation gains of £18.349m relating to Investment Properties as at 1 April 2009 have been transferred from the Revaluation Reserve to the Capital Adjustment Account. Revaluation gains and losses totalling £0.600m accounted for in the Revaluation Reserve in 2009/10 have been taken to the Comprehensive Income and Expenditure Statement and then transferred to the Capital Adjustment Account via the movement in Reserves Statement. Losses of £0.611m posted direct to the Income and Expenditure Account have been transferred from the Surplus or Deficit on continuing operations to the Financing and Investment Income and Expenditure line.

Under IFRS, income from investment properties is reflected in other Operating Expenditure as Financing and Investment Income and Expenditure. Previously this would have been credited to the relevant service line as service income. This has been adjusted in the Comprehensive Income and Expenditure Statement restatement.

<u>Non – current assets other</u>
In addition to the reclassification of investment properties there have been changes to the valuation methods and classification of other non-current assets. This has led to changes in depreciation amounts charged to the Surplus or Deficit on continuing operations and transfers to or from the Revaluation Reserve to the Capital Adjustment Account on the Balance Sheet for 1 April 2009 and 31 March 2010.

2.5. Cash and Cash Equivalents

Under the Code 'cash' has been extended to include cash equivalents. The Council has defined its cash equivalents to include notice accounts and term deposits of less than 1 month duration. This has led to a reclassification of £23.104m from short term investments to cash equivalents on the Balance Sheet for 1 April 2009 and £76.145m on the Balance Sheet for 31 March 2010.

2.6. Reclassification between short term assets and Liabilities and long term assets and liabilities

<u>Assets</u>
The Code specifies that an asset should be accounted for as current when:

- It expects to realise the asset, or intends to sell or consume it, in its normal operating cycle- assumed to be 12 months;
- It holds the asset primarily for the purpose of trading;
- It expects to realise the asset within 12 months after the reporting period or the asset is a cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets should be classified as long term.

This has led to the following assets being classified as both current and non current items where applicable, and the Balance Sheet for 1 April 2009 and 31 March 2010 being restated accordingly:

- Investments
- Debtors
- LATS Allowances

<u>Liabilities</u>
The Code specifies that a liability should be classified as current when:
- It expects to settle the liability in its normal operating cycle- taken to be 12 months;
- It holds the liability primarily for trading;

- The liability is due to be settled within 12 months of the reporting period;
- The liability does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other liabilities should be classified as long term.

This has led to the following liabilities being classified as both current and non current items where applicable, and the Balance Sheet for 1 April 2009 and 31 March 2010 being restated accordingly:

- Borrowing;
- Creditors;
- Provisions;
- Other Liabilities;
- Grants Receipts in Advance

2.7. Prior period Reclassifications / Restatements

As part of the transition to IFRS and the production of the new CIES and Movement in Reserves Statement the following reclassifications / restatements have been made to the accounts for 2009/10:

- Long term debtors – written down via CIES, previously dealt with on the Balance Sheet £0.382m
- Repayment of DCC debt – removed from interest payable to movement in reserves (£1.414m)
- Reclassification long term liability to earmarked reserve – (£0.192m)
- Miscellaneous capital receipts not included in I&E account (£0.848m)
- Pensions – discretionary benefits £2.475m

There is no overall impact on the reported outturn position from these adjustments as all are taken into account under the adjustments between accounting and funding basis.

The Council is currently implementing a new capital database, which will incorporate the fixed asset register. The database has been updated with transaction relating to 2009/10, and the move to IFRS and reclassification of assets combined with the information updated on the database has resulted in a prior year restatement to transactions held in the revaluation reserve as follows

Revaluation	£3.621m
Disposals	£0.030m
Depreciation	(£2.529m)
	£1.122m

The adjustments have been made between the revaluation reserve and the capital adjustment account.

Reconciliation of Total Comprehensive Income and Expenditure under IFRS to the last published Annual Financial Statements Income and Expenditure under GAAP (Year Ended 31 March 2010)

2009/10 Comprehensive Income and Expenditure Statement	Previous GAAP Net Expenditure 2009/10	Effect of Transition to IFRS: Short term Accumulating Absences	Leases	Government Grants	Non- Current Assets	Investment Properties	Other Restatements	2009/10 Restated Total IFRS
Note ref:		*2.1*	*2.2*	*2.3*	*2.4*	*2.4*	*2.7*	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Gross Expenditure, Gross Income and Net Expenditure on Continuing Operations								
Adult Social Care	72,509	68	(7)	209	0	0		72,779
Cultural, Environmental, Regulatory & Planning Services	55,885	92	(375)	2,957	238	1,818	17	60,632
Central Services to the Public	4,204	13	0	571	0	0		4,788
Childrens And Education Services	108,584	477	(134)	3,204	(96)	0		112,035
Housing Services	2,719	(82)	0	3,548	(353)	0	35	5,867
Housing Revenue Account	1,532	0	0	1	168	273		1,974
Highways & Transport Services	17,133	9	0	962	(35)	0	138	18,207
Corporate & Democratic Core	5,228	11	0	74	0	0		5,313
Non Distributable Costs	4,987	7	0	54	0	0	2,475	7,523
Surplus/Deficit on Continuing Operations	**272,781**	**595**	**(516)**	**11,580**	**(78)**	**2,091**	**2,665**	**289,118**
Gain or Loss on Disposal of Fixed Assets	461,228	0	0	(816)	194	79		460,685
Other Operating Expenditure	(688)	0	0		0	0	(848)	(1,536)
Financing and Investment Income and Expenditure	23,810	12	280	132	3	(1,570)	(1,413)	21,254
Taxation and Non-Specific Grant Income	(215,182)	0	0	(37,047)	0	0		(252,229)
(Surplus) or Deficit on Provision of Services	**541,949**	**607**	**(236)**	**(26,151)**	**119**	**600**	**404**	**517,292**
(Surplus) or deficit on revaluation of fixed assets	(24,677)				(3,446)	(659)		(28,782)
Actuarial (gains)/ losses on pension assets / liabilities	101,204							101,204
Other Comprehensive Income and Expenditure	**76,527**	**0**	**0**	**0**	**(3,446)**	**(659)**	**0**	**72,422**
Total Comprehensive Income and Expenditure	**618,476**	**607**	**(236)**	**(26,151)**	**(3,327)**	**(59)**	**404**	**589,714**

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the Date of Transition to IFRS (1 April 2009)

Note	Previously Reported GAAP 31 March 2009	Short Term Accumulating Absences	Leases	Government Grants	Non- Current Assets	Investment Properties	Cash & Cash Equivalents	Reclassification Short Term/ Long Term	Restated IFRS 1 April 2009
		2.1	*2.2*	*2.3*	*2.4*	*2.4*	*2.5*	*2.6*	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property, Plant and Equipment	1,213,551	0	2,601	0	25,755	0	0	0	1,241,907
Investment Property	110,568	0	1,904	0	(23,837)	0	0	0	88,635
Intangible Assets	1,860	0	0	0	0	0	0	0	1,860
Long Term Investments	51,342	0	0	0	0	0	0	0	51,342
Long Term Debtors	969	0	0	0	0	0	0	0	969
Non Current Assets	**1,378,290**	**0**	**4,505**	**0**	**1,918**	**0**	**0**	**0**	**1,384,713**
Short Term Investments	172,237	0	0	0	0	0	(23,103)	0	149,134
Stock	991	0	0	0	0	0	0	0	991
Short Term Debtors	39,298	0	0	0	0	0	0	0	39,298
Cash and Cash Equivalents	3,404	0	0	0	0	0	23,104	0	26,508
Assets Held for Sale	2,530	0	0	0	(2,028)	0	0	0	502
Current Assets	**218,460**	**0**	**0**	**0**	**(2,028)**	**0**	**1**	**0**	**216,432**
Short Term Borrowing	(113,250)	0	0	0	0	0	0	0	(113,250)
Short Term Creditors	(55,707)	(4,572)	(1,091)	(5,167)	0	0	0	(1,414)	(67,952)
Short Term Provisions	0	0	0	0	0	0	0	(3,794)	(3,794)
Current Liabilities	**(168,957)**	**(4,572)**	**(1,091)**	**(5,167)**	**0**	**0**	**0**	**(5,208)**	**(184,996)**
Long Term Creditors	(17,691)	0	0	0	0	0	0	0	(17,691)
Long Term Provisions	(11,838)	0	0	0	0	0	0	3,794	(8,044)
Grants & Contributions	(160,897)	0	0	160,897	0	0	0	0	0
Long Term Borrowing	(263,405)	0	0	0	0	0	0	0	(263,405)
Long Term Liabilities Other	(71,654)	0	(2,782)	0	0	0	0	1,415	(73,021)
Long Term Liabilities Pensions	(330,530)	0	0	0	0	0	0	0	(330,530)
Long Term Liabilities	**(856,015)**	**0**	**(2,782)**	**160,897**	**0**	**0**	**0**	**5,209**	**(692,691)**
Net Assets	**571,778**	**(4,572)**	**631**	**155,730**	**(110)**	**0**	**1**	**0**	**723,459**
Represented By:									
Usable Reserves	51,373	0	0	22,018	0	0	0	0	73,391
Unusable Reserves	520,405	(4,572)	631	133,714	(110)	0	0	0	650,068
Total Reserves	**571,778**	**(4,572)**	**631**	**155,732**	**(110)**	**0**	**0**	**0**	**723,459**

Reconciliation of Net Worth reported under previous GAAP to Net Worth under IFRS at the end of the last reported Period 31 March 2010

	Previously Reported under GAAP 31 March 2010	Short term Accumulating Absences	Leases	Government Grants	Non-Current Assets	Investment Properties	Cash & Cash Equivalents	Reclassification Short Term/ Long Term	Restated IFRS 31 March 2010
Note ref :		*2.1*	*2.2*	*2.3*	*2.4*	*2.4*	*2.5*	*2.6*	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property, Plant and Equipment	675,123	0	161	0	18,706	0	0	0	693,990
Investment Property	102,060	0	0	0	(14,764)	0	0	0	87,296
Intangible Assets	1,783	0	0	0	0	0	0	0	1,783
Long Term Investments	29,088	0	0	0	0	0	0	0	29,088
Long Term Debtors	555	0	0	0	0	0	0	781	1,336
Non Current Assets	**808,609**	**0**	**161**	**0**	**3,942**	**0**	**0**	**781**	**813,493**
Short Term Investments	122,433	0	0	0	0	0	(76,145)	0	46,288
Stock	429	0	0	0	0	0	0	0	429
Short Term Debtors	48,655	0	0	0	0	0	0	(781)	47,874
Cash and Cash Equivalents	3,303	0	0	0	0	0	76,145	0	79,448
Assets Held for Sale	2,114	0	0	0	396	0	0	0	2,510
Current Assets	**176,934**	**0**	**0**	**0**	**396**	**0**	**0**	**(781)**	**176,549**
Short Term Borrowing	(76,918)	0	0	0	0	0	0	0	(76,918)
Short Term Creditors	(55,039)	(607)	(106)	(13,747)	0	0	0	(2,060)	(71,559)
Short Term Provisions	0	0	0	0	0	0	0	(2,629)	(2,629)
Current Liabilities	**(131,957)**	**(607)**	**(106)**	**(13,747)**	**0**	**0**	**0**	**(4,689)**	**(151,106)**
Long Term Creditors	(20,853)	0	0	0	0	0	0	192	(20,661)
Deferred Capital Grants and Cont's	(189,611)	0	0	189,611	0	0	0	0	0
Long Term Provisions	(10,770)	0	0	0	0	0	0	2,629	(8,141)
Long Term Borrowing	(160,348)	0	0	0	0	0	0	0	(160,348)
Long Term Liabilities Other	(67,093)	0	180	0	(3,328)	0	0	2,060	(68,181)
Long Term Liabilities Pensions	(449,381)	0	0	0	0	0	0	0	(449,381)
Long Term Liabilities	**(898,056)**	**0**	**180**	**189,611**	**(3,328)**	**0**	**0**	**4,881**	**(706,712)**
Net Assets Less Liabilities	**(44,471)**	**(607)**	**235**	**175,864**	**1,010**	**0**	**0**	**192**	**132,223**
Represented By:									
Usable Reserves	60,092	0	0	22,125	1,067	0	0	192	83,476
Unusable Reserves	(104,563)	(607)	235	153,739	(57)	0	0	0	48,747
Total Reserves	**(44,471)**	**(607)**	**235**	**175,864**	**1,010**	**0**	**0**	**192**	**132,223**

3. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Authority in the 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are:

- the collection of assets and artefacts either exhibited or stored in the local authority museum. The three principal collections of heritage assets held in the museum include:
  - the art collection (including the ceramics, silver and porcelain collection),
  - the natural history collection, and
  - the human history collection
- historic buildings
- civic regalia

In addition, the authority holds a number of historic buildings that are used on an operational basis as museums. These buildings are reported and valued in the same way as other operational assets of that type i.e. Property, Plant & Equipment. These assets include:

- The Museum
- The Elizabethan House
- The Merchants House
- Mount Edgcumbe House

Part of the art collection and the civic regalia are currently accounted for at valuation (see property, plant and equipment in the authority's summary of significant accounting policies in note 1.20 of the financial statements page 63) and classified as community assets within Property, Plant and Equipment in the Balance Sheet. The remainder of the collection is not currently recognised in the financial statements as no information is available on the cost of the assets (although detailed records of each asset are kept by the curators of the museum - this includes insurance information).

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority anticipates that it might be able to recognise its silver, ceramics and porcelain collection on the Balance Sheet using at its base the detailed insurance valuations (which are based on market values) held by the Authority in respect of the collection. The authority is unlikely to be able to recognise the natural and human history collections in future financial statements as it is of the view that obtaining valuations for the vast majority of these two collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements- this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets within Property, Plant and Equipment at 1 April 2010 is £7.015m. The authority estimates that the value of the silver, ceramic and porcelain collection from its insurance records is £5.m as at 1 April 2010. As these assets have not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve of £5.m i.e. a revaluation gain.

It is estimated therefore that the total value of heritage assets to be recognised in the Balance Sheet at 1 April 2010 (under the requirements of the 2011/12 Code) will be £12.015m. This will result in a total revaluation gain recognised in the Revaluation Reserve of £5.m.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts for 2010/11 are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that further assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision, other than those already earmarked for closure as part of budget delivery plans.

- The Authority has £13m deposited with Icelandic banks which are in administration. Dividend payments are being received in respect of Heritable Bank (£3m original investment), but recovery of monies in Glitnir and Landsbanki (total £10m) is still subject to court proceedings. The Council continues to assume recovery based on priority creditor status for Landsbanki and non priority status for Glitnir, utilising the Capitalisation Direction awarded in 2009/10. This treatment differs from latest guidance issued by CIPFA. The Authority continues to vigorously pursue the recovery of the total debt.

- The Council outsourced its highways maintenance to Amey in 2008. The Council has determined that the contract does not result in a service concession. Vehicles used in the delivery of the contract are hired or leased internally from Amey Fleet Services and therefore are not exclusively used for the Council's contract, and therefore the Council has determined that these do not constitute an embedded lease. The Council has identified an embedded lease in respect of Hatfield House depot but has determined that this constitutes an operating lease and as such no adjustments to the annual contract payments are required.

- The Council entered a 7 year contract with Virador to manage its waste recycling facility at Chelson Meadow. The company acquired tractors and trailers specifically for use in delivery of the contract. The Council has determined that these vehicles constitute an embedded lease arrangement and these leases meet the criteria of a finance lease. The vehicles have been added to the Balance Sheet offset by a finance lease liability and the annual contract payments have been adjusted to separate out the lease repayments and interest from the contract delivery element.

- The Council has classified a number of industrial estates as Investment properties. The Council has determined that as rentals receivable under the lease are based on market rents, these units meet the definition of property held to generate rental income. The Council continues to provide grant assistance leading to a subsidised rent at units at City Business Park, Wolsely CEDT, Millfields CEDT, CBP Park Limited, Scott Business Park and East End Business Centre and has therefore determined that these properties do not meet the definition of investment properties, and they have been treated as Property Plant and Equipment for accounting purposes.

- The Council has over 350 residential ground leases, producing a total annual income to the Council in the region of £15,000, with a current capital value on the Balance Sheet of approximately £0.2m. This equates to an average value of around £570 per leased asset. Under Part V s.105 Housing Act 1957 Local Authorities had the power to sell or lease land acquired/appropriated for the provision of residential accommodation. The leases were a vehicle by which large numbers of dwellings could be provided on Council owned land, but to private owner/occupiers, rather than traditional rented, social housing. All these leases feature terms of 999yrs. All leases of land & buildings (except leases of flats/maisonettes) allow the tenant to purchase the freehold reversion. Some leases allow the purchase at any time throughout the term and others for a fixed period, e.g. during the first 10 years. The length of the lease term and the effects of inflation on the fixed price make it extremely likely that most of the lessee's will exercise the option to purchase. This is particularly the case where the option exists at any time throughout the term as the value of the reversion will begin to increase towards the end of the lease term, indicating a finance lease arrangement. However, the Council has continued to treat these leases as an operating lease on the grounds of materiality.

- The Council has revalued its school estate as part of the rolling programme during 2010/11. The valuations continue to be based on Depreciated Replacement Cost (DRC) adjusted for Modern Equivalent Asset. The Council has determined the adjustment for Modern Equivalent Asset is directly related to the Planned Admission Numbers for specific schools. Where an indication of falling pupil numbers or excess school places was found, a downward adjustment to the asset value was undertaken. No adjustments have been made for increasing pupil rolls. This has led to a significant reduction in the value of the assets carried on the Balance Sheet following the latest rolling programme revaluation.

- Theatre Royal Ltd, a charitable organisation was set up to manage the Theatre Royal. The charity also manages the Pavilions on behalf of the Council. The Council continues to own the buildings but no longer has any representation on the Theatre Royal Board, with the Members resigning in September 2010. The Council does not own any shares in the company or provide any financial guarantees. It has therefore been determined that the Company no longer meets the definition of a controlled company for group account purposes and it ceased to be a subsidiary of the Authority with effect September 2010.

- The Council transferred its Council stock to Plymouth Community Homes (PCH) on 20 November 2009. Although there are four Councillors on the Board, they act independent to the Council. The Council does hold a 'Golden Vote' but this can only be invoked should PCH seek to depart from its agreed objective to bring the stock up to decency standards. It has therefore been determined that the Council does not have control over the company and it does not form part of the Council's consolidated group accounts.

- As a result of current and future reductions in local government funding the Council is in the process of reviewing and restructuring its services. As a consequence of this process, at the end of the financial year there were plans in place to terminate the contracts of a number of employees. To account for those cases where notice has been served by the Council and reliable calculations for the termination benefits have been prepared, a provision has been set up to cover the liability arising from the termination of these employment contracts (£0.178m).

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Changes in discount rates	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £23.024m. However, the assumptions interact in complex ways. During 2010/11, the authority's actuaries advised that the net pensions liability had decreased by £30.435m as a result of estimates being corrected as a result of experience and decreased by £119.812m due to updating of the assumptions
Property Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate and reductions to council grant funding makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, which may in turn impact on the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Interest Payable	The accounts continue to show an impairment charge of £5.9m for monies invested in Iceland. This is based on recovery of monies in Glitnir on a non priority creditor and Lansdbanki as priority creditor. The Council continues to actively pursue recoveries of its monies through the Icelandic Courts.	The Council's claim is due to be heard by the Icelandic Courts in September 2011. The latest hearings indicate that priority status will be confirmed for deposits in both banks. This will lead to an adjustment in the impairment charge of £4.646m in the accounts in future years.
Provisions	The Authority has made a provision of £3.328m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable. There are currently no dates set for Industrial Tribunal hearings.	An increase or decrease in the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding to or reducing the provision required by £0.300m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors of £14.5m. A review of significant balances suggested that an impairment of doubtful debts of (£2.1m) was appropriate. This includes an allowance for organisations currently in administration. The Council continues to set itself an increasing target for debt collection. However the economic situation continues to have an imapct on income levels and non payment of debt.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.6m to be set aside as an allowance.
Employee Benefits	The Council is required to accrue for employee benefits earned but not taken by the 31 March 2011. Although the Council operates a Manager on Line (MOL) system through the HR system which should record annual leave, not all managers have access to the system and the system does not record accrued flexi or toil. As such this information is not readily available. In order to comply with the accounting requirments, the Council has undertaken a sample of staff across the Council using both the MOL information and annual returns and aggregated this up based on total employee numbers to produce the information on the accrual. In total a sample of 28% was achieved. In addition calculations have been made on the value of annual leave carried forward by teachers and other schools staff. The result of these calculations form the largest part of the accrual due to timing of the financial year end within the academic year.	An increase in the amount of leave carried forward or a change in the analysis of carry forward leave by officer level could result in a potentially different calculation and charge across services. However Statutory Regulations are in place which remove the employee benefit accrual to an employee benefit reserve account so overall there would be no impact on the General Fund Balance.

This list does not include assets and liabilities that have are carried at fair value based on a recently observed market price.

6. Material Items of Income and Expense

Non Distributed Costs - Changes to the Local Government Pension Scheme

The Government has announced that it plans to increase future pensions in line with the Consumer price Index (CPI) rather than the Retail price Index (RPI). The actuary has accounted for this change as a ‘past service gain’ in the pensions profit and loss statement as it is assumed that CPI will increase at a lower rate than RPI. The value of the gain for Plymouth is estimated at (£70.177m). The past service gain is shown within the non distributed costs line in the Surplus/deficit on Continuing Operations. In addition this line includes a net gain of (£21.793m) on curtailment and settlements mainly in relation to the post completion valuation of the transfer of staff to Plymouth Community Homes in 2009/10.

Further details of the movement in the pensions liability is outlined in note 37 page 153.

7. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Support on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Statements have been adjusted for the following item:

<u>Plymouth Community Homes- Post Completion Pension Valuation</u>
The pensions clauses contained within the stock transfer agreement set out a requirement for a post transfer pensions valuation to be undertaken based on updated assumptions in place as at 31 March 2010. The pension fund actuaries have now completed the valuation and in accordance with the clauses contained in the agreement, this has resulted in a transfer back of notional pension fund assets totalling £15.846m from the PCH notional element of the pension fund to the Plymouth element. Formal agreement to the transfer was jointly agreed by PCC and PCH on 22 June 2010. This has resulted in a 'gain on curtailment and settlements' to be shown within Plymouth's pension fund transactions for 2010/11 and a reduction in the Council's overall pension fund liability carried on the Balance Sheet. The accounts have been adjusted for this amendment.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

<u>Academy transfers</u>
The following schools transferred to academies on 1 April 2011:

- Lipson CC (Previously Trust status)
- Hele
- Ridgeway
- Plymstock (Previously Trust status)
- Coombe Dean
- Devonport High School for Girls
- Stoke Damerel CC (Previously Trust status)

- Tor Bridge High is due to transfer on 1 August 2011.

The asset value of these schools on the Council's Balance Sheet was £59.246m together with equipment of £0.908m and intangible assets of £0.063m giving a total Balance Sheet value of £60.217m. In addition schools balances of £2.291m will transfer to the schools at the end of June 2010. The impact of the transfers on the Council's support services functions is being addressed through the transformational change programme and budget delivery plans.

<u>Plymouth City Airport</u>
Plymouth City airport is let on a 125 year lease. The Council's lessee has served notice of its intention to close the airport in December 2011 because of a number of circumstances that have led to trading difficulties. The Council is undertaking an economic study of airport operations and is in discussion with the airport operator. Consequently the future of the airport is not fully resolved at this time.

8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	108,121					(108,121)
Revaluation losses on Property Plant and Equipment						0
Movements in the market value of Investment Properties	2,782					(2,782)
Amortisation of intangible assets	597					(597)
Capital grants and contributions	(41,843)				(6,451)	48,294
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	8,363					(8,363)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	31,022		1,435			(32,457)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(8,440)					8,440
Capital expenditure charged against the General Fund and HRA balances	(1,708)					1,708
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Transfer of other receipts	(2,072)		2,335			(284)
Use of the Capital Receipts Reserve to finance new capital expenditure			(2,814)			2,814
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals						6
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	44		(44)			0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA						0
Use of the Major Repairs Reserve to finance new capital expenditure						0
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	129					(129)
Total C/FWD	**96,994**	**0**	**912**	**0**	**(6,451)**	**(91,471)**

2010/11	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Total B/FWD	**96,994**	**0**	**912**	**0**	**(6,451)**	**(91,471)**
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(54,280)					54,280
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,920)					22,920
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	72					(72)
Adjustment involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						0
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(527)					527
Total Adjustments	**19,339**	**0**	**912**	**0**	**(6,451)**	**(13,816)**

2009/10 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	83477					(83,477)
Revaluation losses on Property Plant and Equipment	-427					427
Movements in the market value of Investment Properties	600					(600)
Amortisation of intangible assets	607					(607)
Capital grants and contributions	-44739				44,739	0
Movement in the Donated Assets Account						0
Revenue expenditure funded from capital under statute	16262					(16,262)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	461308		1,523			(463,334)
Net gain/loss on disposal of Long Term Investment	-17465		18,755			(1,290)
Other Capital Receipts credited to the Comprehensive Income and Expenditure Statement	-1430		2,278			(848)
Long Term Debtor Repayments in Year	6		376			(382)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(10,420)					10,420
Capital expenditure charged against the General Fund and HRA balances	(389)					389
Adjustments involving the Capital Receipts Reserve:						
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						0
Use of the Capital Receipts Reserve to finance new capital expenditure			(5,748)			5,748
Amount set aside from the Capital Receipts Reserve for future debt repayment			(638)			638
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	24		0			(24)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	564		(564)			0
Adjustment involving the Major Repairs Reserve						
Reversal of Major Repairs Allowance credited to the HRA	3,263			(3,263)		0
Use of the Major Repairs Reserve to finance new capital expenditure				(6,229)		6,229
Total C/FWD	**491,241**	**0**	**15,982**	**(9,492)**	**44,739**	**(542,973)**

2009/10 Comparative Figures	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Total B/FWD	**491,241**	**0**	**15,982**	**(9,492)**	**44,739**	**(542,973)**
Adjustments involving the Capital Grants Unapplied Account:						
Use of the Capital Grants Unapplied Account to finance new capital expenditure					(43,562)	43,562
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,384)					1,384
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	46,279					(46,279)
Employer's pensions contributions and direct payments to pensioners payable in the year	(26,157)					26,157
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	206					(206)
Adjustment involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements						0
Adjustment involving the Accumulating Compensated Absences Adjustment Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	607					607
Adjustment as per Statement of recognised Gains and Losses 2009/10						(2,226)
Total Adjustments	**510,792**	**0**	**15,982**	**(9,492)**	**1,177**	**(519,974)**

9. Other Operating Expenditure

This contains corporate items of income and expenditure that cannot reasonably be allocated or apportioned to services.

Other Operating Expenditure	2009/10 Restated £000	2010/11 £000
Levies	193	194
Payments to the Government Housing Capital Receipts Pool	564	44
Other income	(2,293)	(262)
Total	**(1,536)**	**(24)**

Other Income generally relates to capital receipts in year for which no asset can be identified on the Balance Sheet, such as repaid discounts from Council House sales, covenants and lease premiums as well as the income receivable under the stock transfer agreement relating to VAT shelter receipts.

10. Financing and Investment Income and Expenditure

This contains corporate items of income and expenditure arising from the Authority's involvement in financial instruments and similar transactions involving interest or the unwinding of discounts. This heading also includes the income and expenditure relating to investment properties.

Financing and Investment Income and Expenditure	2009/10 Restated £000	2010/11 £000
Interest payable and similar charges	22,135	12,469
Pensions interest cost and expected return on pensions assets	25,656	14,574
Interest receivable and similar income	(7,542)	3,226
(Surpluses) / deficits on trading undertakings not included in Net Cost of Services	39	(107)
Income and expenditure in relation to investment properties and changes in their fair value	(1,491)	723
Gain on sale of Investment Properties	(79)	
Sale of Subsidiary- Citybus	(18,312)	
Total	**20,406**	**30,885**

11.Taxation and Non Specific Grant Income

This item consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. All capital grants and contributions are credited here even where they are service-specific, unless they are used to finance REFCUS spend in which case they are treated as revenue grants and credited to the relevant service line.

Taxation and Non-Specific Grant Income	2009/10 Restated £000	2010/11 £000
Council tax income	92,837	95,731
Non domestic rates	84,076	92,579
Non-ringfenced government grants	38,269	36,993
Capital grants and contributions	44,739	35,625
Total	**259,921**	**260,928**

Further details of the non ringfenced grants and capital grants and contributions are given in the grants note 32 page 140

12. Property, Plant and Equipment

12.1. Movement in Year

The movement in Property Plant and Equipment is summarised in the following table with comparative figures for 2009/10 following.

Further details of the depreciation policy and measurement basis applied to fixed assets are outlined in note 1 pages 49 to 68. The total depreciation charge applied in 2010/11was £26.563m.

The following useful lives and depreciation rates have been used in the calculation of depreciation:

	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2010	581,685	30,806	101,709	15,107	425	38,727	768,459	37,441
additions	12,188	3,831	3,059	1,212	0	40,096	60,386	0
donations							0	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	8,490			10,326			18,816	(13,217)
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(106,101)	(93)		(390)			(106,584)	
derecognition - disposals	(26,757)	(725)	(20)	(105)	0	(175)	(27,782)	
derecognition - other							0	
assets reclassified (to)/from Held for Sale	(300)				(393)		(693)	
other movements in cost or valuation	28,277	322	70	126	0	(28,644)	151	
At 31 March 2011	**497,482**	**34,141**	**104,818**	**26,276**	**32**	**50,004**	**712,753**	**24,224**

	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Accumulated Depreciation and Impairment	(35,804)	(10,699)	(24,806)	(3,155)	(4)	0	(74,468)	(760)
depreciation charge							0	(627)
depreciation written out to the Revaluation Reserve	(5,991)			(17)			(6,008)	693
depreciation written out to the Surplus/Deficit on the Provision of Services	(13,290)	(3,511)	(5,104)	(624)	(4)		(22,533)	
impairment losses/(reversals) recognised in the Revaluation Reserve							0	
recognised in the Surplus/Deficit on the Provision of Services	26,981	23					27,004	
derecognition - disposals	1,383	156	5	76	0	0	1,620	
derecognition - other							0	
other movements in depreciation and impairment							0	
At 31 March 2011	**(26,721)**	**(14,031)**	**(29,905)**	**(3,720)**	**(8)**	**0**	**(74,385)**	**(694)**

Comparative Movements in 2009/2010:

2009/2010 Comparators	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Fittings	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant & Equipment	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2009	551,138	592,879	28,437	92,724	14,194	860	37,917	1,318,149	35,988
additions	8,522	24,445	3,314	8,190	704	0	27,610	72,785	0
donations	0	0	0	0	0	0	0	0	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(34,440)	(118)	0	(10)	(765)	0	(35,333)	0
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(15,643)	0	0	0	0	0	(15,643)	0
derecognition - disposals	(559,660)	(9,728)	(1,060)	(731)	(43)	(1)	0	(571,223)	0
derecognition - other	0	0		0	0	0	0	0	0
assets reclassified (to)/from Held for Sale	0	0		0	0	0	0	0	0
other movements in cost or valuation	0	24,172	233	1,526	262	331	(26,800)	(276)	0
At 31 March 2010	**0**	**581,685**	**30,806**	**101,709**	**15,107**	**425**	**38,727**	**768,459**	**35,988**
Accumulated Depreciation and Impairment									
At 1 April 2009	(9,354)	(35,961)	(7,653)	(20,637)	(2,628)	(9)	0	(76,242)	(93)
depreciation charge	(9,137)	(19,109)	(3,595)	(4,169)	(546)	(8)	0	(36,564)	(600)
depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0	0
depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
impairment losses/(reversals) recognised in the Revaluation Reserve	0	15,166	67	0	0	12	0	15,245	0
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	3,286	0	0	0	0	0	3,286	0
derecognition - disposals	18,491	768	482	0	18	0	0	19,759	0
derecognition - other	0	0	0	0	0	0	0	0	0
other movements in depreciation and impairment	0	46	0	0	1	1	0	48	0
At 31 March 2010	**0**	**(35,804)**	**(10,699)**	**(24,806)**	**(3,155)**	**(4)**	**0**	**(74,468)**	**(693)**
Net Book Value									
At 31 March 2010	0	545,881	20,107	76,903	11,952	421	38,727	693,991	36,748
At 31 March 2009	541,784	556,918	20,784	72,087	11,566	851	37,917	1,241,907	37,225

12.2. Commitments Under Capital Contracts

The capital commitments outstanding on capital and other works contracts entered into as at 31 March 2011 amounted to £42.715m (2009/10 £72.810m). The Council is committed to complete these contracts under its latest approved Medium Term Capital Programme which spans a five year period. Major commitments (over £100,000) under capital contracts were as follows:

Commitments Under Capital Contracts	2010/11 £000
Plymouth Life Centre- Build-Constructions- Balfour Beatty	19,305
Estover CC- Campus/ Replacement College- Kier Western	7,493
Development Contracts - Amey LG Ltd	6,481
Leachate treatment & Storage Upgrade- Morrison Construction Ltd	1,975
Chelson Meadow Capping Phase 2- Morrison Construction Ltd	1,364
Devonport People's Park Bandstand, Design Fees and Devonport Heritage Trail- Galliford Try; Devon Contractors; SEC	1,349
Compton Phase 2 of masterplan- Interserve	684
Garrison Close - Devonport Comm Lands Trust	509
Estover Campus Replacement- EC Harris	446
Estover Campus Replacement- RM Education	432
Plymouth Life Centre- Build-Pm/QS/CDMC Services- EC Harris	368
Disabled Facilities (incl Care And Repair Works)	299
Riverside Business Park - Devonport Comm Lands Trust	265
Efford- Reorgainstation (New School for Highfield and Plym View- reduced Project)- Interserve	263
Dell Centre Refurbishment Works- Interserve	262
Drake- Kitchen Improvement- Ian Williams	179
Chelson Meadow Capping Phase 2- Hyder Consulting	159
Plaistow Hill- New Kitchen- Ryearch	144
Yealmpstone Farm- Remodelling project- Mercury Construction	135
Brickfields- New Events Area- Charles Lawrence Sport Surfaces	112
Other Schemes under £100,000	491
Total	**42,715**

12.3. Effects of Changes in Estimates

In 2010/11, the Authority made a material change to its accounting estimates for schools within Property, Plant and Equipment. In accordance with RICS Valuation Guidance Note 10, schools revalued under the rolling programme have been valued using a Modern Equivalent Asset valuation. The Council has determined the adjustment for Modern Equivalent Asset is directly related to the Planned Admission Numbers for specific schools. Where an indication of falling pupil numbers or excess school places was found, a downward adjustment to the asset value was undertaken. No adjustments have been made for increasing pupil rolls. As a result the value of the schools estate has reduced by approximately £50m. This includes the write out of expenditure incurred during 2010/11. The estimated impact on annual depreciation charge in future years is a reduction of £0.080m.

12.4. Community Assets

Details of the Council's community assets are shown below. Most community assets are deemed to have an infinite life and many are included in the Balance Sheet at a nominal value of £1.

Allotments	28
Artwork/Art Collections	20
Bowling	4
Memorials	23
Parks/open spaces	290
Mount Edgcumbe Country Park	1
Shelters/Changing Rooms/Stores	14
Public Art/Street Landscaping	3
Plympton Guildhall	1
Plympton Castle	1
Charles Church	1
Plymouth Castle	1
Smeatons Tower	1
Grand Total	**388**

12.5. Trust, Foundation and Voluntary Aided Schools

The Council has a number of schools that are operated by various trusts or are classed as voluntary aided schools. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources. However, under foundation, trust or voluntarily aided status the school building and associated land effectively passes to the Trustees of the school who have control over the use of the assets. The assets are therefore not shown on the Council's Balance Sheet. During the year 2 schools transferred to trust status and 1 school, Devonport High for Boys, transferred from Trust to Academy status.

The following schools receive funding from the Council but do not appear in the Council's Balance Sheet:

Voluntary Aided Schools

Cathedral School of St Mary
Holy Cross Catholic Primary
Keyham Barton Catholic Primary
Plympton St Mary's C of E Infant
St Andrew's C of E Primary
St Budeaux foundation C of E Junior
St George's C of E Primary
St Joseph's Catholic Primary
St Paul's Roman Catholic Primary
St Peter's C of E Primary
St Peter's Roman Catholic Primary
Notre Dame Roman Catholic School
St Boniface's Roman Catholic College

Trust Schools

Elburton Primary
Widewell Primary
Lipson Community College
Plymstock School
Stoke Damerel Community College
Mount Street Primary

Community schools and voluntarily controlled schools remain on the Council's Balance Sheet, as does land, eg playing fields, of voluntary aided schools

12.6. Revaluations/Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally, under the supervision of Miss K A Birrell BSc (Hons) MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS) as outlined in the accounting policies. Vehicles and equipment that have a short life / low value are not revalued but carried on the Balance Sheet at historical cost.

The significant assumptions applied in estimating the fair values are:

- for PPE of a non-specialised nature (where a market exists for the current use to which the property is put) this is interpreted as the amount that would be paid for the asset in its existing use (EUV) compared to similar assets of the type, location or condition;
- for PPE of a specialized nature (where no market exists for the continuation of current use), where there is a significant difference between Depreciated Replacement Cost (DRC) and Fair Value, this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value. This would be dependant on its potential new use compared to similar assets of the type, location or condition;
- for Investment Properties this is interpreted as the amount that would be paid for the asset in its highest and best use i.e. Market Value compared to similar assets of the type, location or condition;

Valuation of Fixed Assets	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost		4,032	20,110		24,142
Valued at fair value as at:					
2010/11		259,177			259,177
2009/10		37,044		24	37,068
2008/09		63,716			63,716
2007/08		43,728			43,728
2006/07		63,064			63,064
Total Cost or Valuation	**0**	**470,761**	**20,110**	**24**	**490,895**

There was no impairment due to a decline in property condition in 2010/11.

12.7 Gain/Loss on Disposal of Fixed Assets

In 2010/11, the Council incurred a net loss on disposal of fixed assets of £31.260m. Included within this amount was £21.642m relating to the write-out of assets as a result of schools transferring to Academy status during the year.

Other Assets Written Off Balance Sheet	798	
- Deletions		1,436
- Academy Schools		21,642
- Under Construction	764	175
Net (Gain)/Loss from Other Asset Sales	1,426	2,481
	462,117	**31,260**

12.8 Major Fixed Assets held at 31 March

The Council held the following major fixed assets at 31 March 2011. These assets are classified as operating assets and held on the Balance Sheet at market value or depreciated historic cost.

Asset	**31 Mar 2011 Number**
Admin. Offices	8
Schools/Colleges	68
Youth & Community Centres	8
Libraries	12
Social Services Centres	17
Museums	4
Sports Complexes and Swimming Pools	8
Car Parks	63
Public Conveniences	31
Theatres	2
Cemeteries	2
Waste Management Centre	2

13. Investment Properties

Investment properties are properties held solely to earn rentals or for capital appreciation or both. In the main the Council's investment properties consists of the City Centre Commercial (Shop) Estate and a number of Industrial Estates.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment Properties -Expenses and Income	**Restated 2009/10 £000**	**2010/11 £000**
Rental income from investment property	3,362	3,019
Direct operating expenses arising from investment property	(660)	(941)
Net gain/(loss)	**2,702**	**2,078**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property. Most of the investment properties are let out on an operating lease basis. Depending on the terms of the individual leases, the authority may retain a responsibility for repair and maintenance of the exterior fabric of the premises. Any costs incurred are included within the direct operating costs outlined above.

The following table summarises the movement in the fair value of investment properties over the year. The disposal figure relates to an adjustment to write-out commercial rented properties transferred to Plymouth Community Homes which were not removed from the Balance Sheet in 2009/10.

Investment Properties	2009/10 Restated £000	2010/11 £000
Balance at 1 April	88,635	87,295
Additions:	0	0
Disposals	(203)	(6,357)
Net gains/losses from fair value adjustments	(1,402)	(2,782)
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment	0	(151)
Other changes	265	20
Balance at 31 March	**87,295**	**78,025**

14. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include purchased licenses.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. Where the software relates to a specific service application, the charge is made direct to that service. In 2010/11 £0.128m related to amortisation of software acquired by schools and was charged direct to the Children's and Education services line with the balance of £0.469m charged to the IT Administration cost centre or other support services and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is therefore not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

Intangible Assets	2009/10 £000	2010/11 £000
Balance at start of year:		
Gross carrying amounts	3,075	3,605
Accumulated amortisation	(1,215)	(1,822)
Net carrying amount at start of year	**1,860**	**1,783**
Additions:		
Purchases	574	471
Revaluations increases or decreases	(6)	0
Amortisation for the period	(607)	(597)
Other changes	(38)	(11)
Net carrying amount at end of year	1,783	1,646
Gross carrying amounts	3,605	4,065
Accumulated amortisation	(1,822)	(2,419)
Total	**1,783**	**1,646**

15. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

Capital Expenditure and Income	Restated 2009/10 £000	2010/11 £000
Opening Capital Financing Requirement 1 April	**319,391**	**250,618**
Capital Investment		
Operational Assets	45,721	60,928
Non Operational Assets	27,584	276
Revenue Expenditure Funded from Capital under Statute	16,262	7,941
Other Capital Expenditure	3,174	700
	92,741	**69,845**
Sources of Finance		
Capital Receipts	(5,748)	(2,814)
less: Long Term Debtors written out in year	287	267
Capital Receipts Set Aside in Year (PCL)	(638)	0
Grants & Contributions Applied in year	(47,229)	(48,523)
Revenue & Other Funds	(6,618)	(1,558)
Minimum Revenue Provision	(10,420)	(8,447)
Finance Lease adj pre 2004		
Capital contribution to PFI	(2,600)	(700)
PWLB loan repayment stock transfer	(88,548)	0
	(161,514)	**(61,775)**
Closing Capital Financing Requirement 31 March	**250,618**	**258,688**
Explanation of Movement in Year		
Increase in underlying need to borrow (supported by Government financial assistance)	18,157	7,729
Increase in underlying need to borrow (un supported by Government financial assistance)	13,831	9,093
Reduction in underlying need to borrow resulting from other changes in Capital financing Requirement	(101,496)	(9,032)
Assets acquired under Finance Leases	520	127
Increase/Decrease in Capital Financing Requirement	**(68,988)**	**7,917**

16. Financial Instruments

16.1. Compliance

This Authority has complied with the following: -

1. It has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice

2. Set Treasury Management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

The Council's Treasury Management Strategy which incorporates the annual Investment Strategy was approved by Full Council on 1 March 2010. As an overriding principle, the strategies proposed that in the current financial climate the Council should continue to seek to reduce the underlying level of borrowing and investments. The Council should seek to make greater use of short term variable rate borrowing, whilst at the same time seeking to balance its investments across a range of investment instruments.

An annual report on the progress of Treasury Management activities against the strategy for the year is required to be presented to full Council.

16.2. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments.

	Long-Term			Current			Total		
	1 Apr 2009	Restated 31 Mar 2010	31 Mar 2011	1 Apr 2009	Restated 31 Mar 2010	31 Mar 2011	1 Apr 2009	Restated 31 Mar 2010	31 Mar 2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowings									
Financial liabilities at amortised cost									
PWLB Debt	129,396	27,649	61,742	25,375	1,670		154,771	29,319	61,742
Other Borrowings	134,009	132,699	132,249	87,875	75,248	96,952	221,884	207,947	229,201
Devon Debt	33,937	32,580	0	1,414	1,357	0	35,351	33,937	0
Deferred Liabilities	39,083	35,601	33,775	1,092	1,355	1,241	40,175	36,956	35,016
Trade Creditors	0	495	530	37,244	35,036	30,804	37,244	35,531	31,334
Total borrowings	**336,425**	**229,024**	**228,296**	**153,000**	**114,666**	**128,997**	**489,425**	**343,690**	**357,293**
Investments									
Loans and receivables:									
Investments	51,341	29,088	11,920	149,134	46,288	61,122	200,475	75,376	73,042
Contractual debtors (net of impairment)	969	1,336	731	11,583	15,553	12,812	12,552	16,889	13,543
Cash & cash equivalents	0	0	0	26,508	79448	92,944	26,508	79,448	92,944
Total investments	**52,310**	**30,424**	**12,651**	**187,225**	**141,289**	**166,878**	**239,535**	**171,713**	**179,529**

Note : LOBOs of £56m have been included in long term borrowing but have a call date in the next 12 months.

16.3 Gains and Losses on Financial Instruments

The Income, Expense, Gains and Losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2010/11	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Loans and receivables		Total
	£000	£000	£000	£000
Interest expense	12,469		0	12,469
Losses on derecognition	0		0	0
Impairment losses	0		0	0
Interest payable and similar charges	**12,469**		**0**	**12,469**
Interest income	0		(3,113)	(3,113)
Gains on derecognition	0		0	0
Interest and investment income	**0**		**(3,113)**	**(3,113)**
Net (gain)/loss for the year	**12,469**		**(3,113)**	**9,356**

Restated 2009/10	Financial Liabilities Liabilities measured at amortised cost	Financial Assets Loans and receivables		Total
	£000	£000	£000	£000
Interest expense	16,233		0	16,233
Losses on derecognition	0		0	0
Impairment losses	0		5,723	5,723
Interest payable and similar charges	**16,233**		**5723**	**21,956**
Interest income	0		(6,136)	(6,136)
Gains on derecognition	(101)		0	(101)
Interest and investment income	**(101)**		**(6,136)**	**(6,237)**
Net (gain)/loss for the year	**16,132**		**(413)**	**15,719**

16.4 Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. The fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instruments, using the new borrowing rate for a comparable loan using the assumptions outlined below:

- For PWLB debt, the discount rate used is the rate for premature borrowing as per rate sheet number 126/11
- For other market debt and investments the fair value has been based on the nearest equivalent SWAP rate sourced from Bloomberg as at 31 March 2011 based on the mid rate for the day
- We have used interpolation techniques between available rate where the exact maturity period was not available.
- We have calculated fair values for all instruments in the portfolio.

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Liabilities at amortised cost	Restated 1 Apr 2009		Restated 31 Mar 2010		31 Mar 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
PWLB - maturity	154,771	185,214	29,319	35,197	61,742	73,322
LOBOs	133,930	144,357	134,167	144,778	134,112	144,095
Bonds	83	83	83	83	83	83
Short term borrowing	87,870	87,870	73,697	73,697	95,005	95,005
Devon Debt	35,351	35,351	33,937	33,937	0	0
Deferred liability - finance lease	40,175	40,175	36,956	36,956	35,016	35,016
Creditors	37,244	37,244	35,531	35,531	31,334	31,334
Financial liabilities	**489,424**	**530,294**	**343,690**	**360,179**	**357,292**	**378,855**

*In October 2007, the PWLB introduced a separate rate of interest for early repayment of loans, and the fair value calculation as supplied by PWLB has been based on this lower rate of interest. This rate is not comparable with the valuation of market loans which are based on the actual market rate applicable for new borrowing as at 31 March 2011. The equivalent fair value for PWLB loans based on a comparable market rate would be £61.032m a reduction of £12.290m.

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Assets carried at Amortised Cost	Restated1 Apr 2009		Restated 31 Mar 2010		31 Mar 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Deposits with banks and building societies	199,127	205,586	145,880	147,240	71,484	72,028
Cash & cash equivalents	26,508	26,508	79,448	79,448	92,944	92,357
Contractual Debtors	12,552	12,552	16,889	16,889	13,543	13,543
Financial assets	**238,187**	**244,646**	**242,217**	**243,577**	**177,971**	**177,928**

*note 2008/09 and 2009/10 restated to exclude non trade debtors

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar deposits at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of deposits.

16.5 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Treasury Management Board, comprising senior Officers from Finance , Assets and Efficiencies , the Director for Corporate Support and the Cabinet Member for Finance, Property and People. The Board meets regularly and acts in accordance with the policies set out by the Council in the annual Treasury Management Strategy. Scrutiny of the Treasury Management Strategy and performance during the year is undertaken by the Audit Committee. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written polices and procedures covering credit, liquidity and market risk.

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. The risk is minimised through the annual Investment Strategy which outlines the credit criteria for the investment of the Council's funds. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies. In making investment decisions, the Council has regard to a range of information sources including:

- Central banks
- Government Departments
- Debt Management Office
- Multilateral agencies
- Multilateral development banks
- Newspapers and periodicals
- Financial data providers e.g. Bloomberg
- Professional bodies and associations
- Annual reports of Banks and Building Societies
- Ratings agencies
- Bank and Building Society websites

The Council's investment strategy for 2010/11 was originally approved by Council on 1 March 2010. Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2010/11. This restricted new investments to the following, although as indicated not all of the instruments were used during the year:

- The Debt Management Office
- Other Local Authorities
- AAA-rated Stable Net Asset Value Money Market Funds (not used 2010/11)
- Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australia, Canada, Finland, France, Germany, Netherlands, Spain, Switzerland and the US).
- Bonds issued by Multilateral Development Banks, such as the European Investment Bank (not used 2010/11).

In the main the Council made use of reserve accounts, allowing instant access to funds. Where longer term investments were made these have been restricted to a maximum 364 days. The table below shows the criteria and institutions used during 2010/11.

Approved Counter Party Listing in force 31 March 2011

Financial Asset Category	Criteria	Maximum Investment	Maximum Investment Term
Government Debt Office	Central Government Office	No Limit	12 Months
UK Banks and Building Societies	Minimum credit rating: Fitch – Long-Term A+ Short-Term F1 Moody's – Long-Term A1 Short-Term P-1 S&P – Long-Term A+ Short-Term A-1	£30m	12 Months
Foreign Banks	Minimum credit rating: Fitch – Long-Term A+ Short-Term F1 Moody's – Long-Term A1 Short-Term P-1 S&P – Long-Term A+ Short-Term A-1	£10m	12 Months
Local Authorities	Unitary Councils County Councils Metropolitan Councils London Borough Councils	£5m	12 Months
Money Market Funds	AAA with Constant Net Asset value investing predominantly in Government securities. AAA with a Constant Net Asset investing in instruments issued primarily by financial institutions.	2.5% of overall investment portfolio	Call
Bonds Issued by Multilateral Development banks	AAA or Government Guaranteed Eurosterling Bonds	Total investment £20m or 10% of investment portfolio	10 years

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments and banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. The Council, for example, is still seeking to recover amounts invested in the Icelandic banks and further details are provided below. A risk of irrecoverability applies to all of the authority's deposits, but there was no evidence at 31 March 2011 that this was likely to crystallize for any further deposits.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year, and no potential additional loss has arisen from institutions being placed in administration. An update on the Council's investments in Icelandic banks is provided below.

Credit Risk	Amounts at 31 March 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2011 %	Estimated maximum exposure to default and uncollectability £000
Deposits with banks and other financial institutions	165,802	6.90%	6%	11,497
Customers	13,543	15.53%	n/a	2,103
Total	**179,345**			**13,600**

The historical experience of default for deposits with banks and other financial institutions is based on the outstanding amounts invested in Icelandic Banks as a % of the Council's total investments at the end of the year. In terms of risk management, the majority of the Council's investment portfolio is now held in UK institutions and there is a risk, albeit a small risk, should the UK Government, i.e. the sovereign state, collapse.

The Council does not generally allow credit for customers. After 28 days, recovery procedures are undertaken to recover any outstanding debt. The past due amount can be analysed by age as follows and includes balances outstanding up to 28 days:

Credit Risk	Restated 31 Mar 10 £000	31 Mar 11 £000
Less than two months	14,795	10,188
Two to three months	481	301
Three to four months	66	1177
Four months to one year	408	769
More than one year	1,139	1,108
Total	**16,889**	**13,543**

<u>Icelandic Banks</u>

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £13m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

	Amount Invested £	Interest Rate %	Maturity Date
Glitnir	1,000,000	6.21	09-Oct-08
	2,000,000	6.16	17-Oct-08
	2,000,000	6.14	20-Oct-08
	1,000,000	6.14	23-Oct-08
	6,000,000		
Landsbanki	1,000,000	6.17	29-Oct-08
	2,000,000	5.8	11-Mar-09
	1,000,000	5.9	11-May-09
	4,000,000		
Heritable	1,000,000	6.23	15-Oct-08
	1,000,000	6.15	17-Oct-08
	1,000,000	5.5	11-Feb-09
	3,000,000		

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. The Council made an impairment adjustment in its accounts of £5.9m in 2009/10 utilising an approved Capitalisation Direction. The recovery of monies in both Landsbanki and Glitnir remain subject to court proceedings. The Council has therefore decided not to make any adjustments to the impairment calculation in its accounts for 2010/11. The Council, working with Bevan Brittan solicitors and the Local Government Association (LGA), continues to actively pursue the recoveries of its total investments.

The Reykjavik District Court issued a verdict on 1 April 2011 confirming local authorities claims qualified for priority under Article 112 of the Icelandic Bankruptcy legislation. This related to both Glitnir and Landsbanki and confirmed the position in relation to interest. These decisions are being appealed to the Icelandic Supreme Court. The district court decisions confirmed the position in relation to interest in the authorities' favour. Where deposits matured between 6 October 2008 and 22 April 2009, local authority claims should be on the value of the matured deposit plus interest of at least the contractual rate for the period between maturity and 22 April 2009.

Heritable Bank

Heritable bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. To date the Council has recovered £1.503m of its deposit, representing 50.11% plus interest of £76,643 to 6 October 2008.

The latest creditor progress report issued by the administrators Ernst and Young in February 2011 continued to indicate a base case return to creditors of 79p to 85p in the £. The Impairment recognised by the Council in respect of Heritable Bank is based on a recovery of 84.98p in the £. Future dividends are expected to be equally spread and payable at quarterly intervals until September 2012, based on the following assumptions re timing of recoveries:

- June 2011 5% September 2011 5%
- December 2011 5% March 2012 5%
- June 2012 5% September 2012 5%

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008. The Council, working with Bevan Brittan solicitors and the Local Government Association (LGA), continues to actively pursue the recoveries of its total investments.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (NBI) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law.

The Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing its claim through the courts. Based on the latest situation, local authorities can expect to enjoy priority creditor status and recover 95% of its deposit. However no payments will be made until the litigation has been concluded, which is unlikely to be until late 2011. Plymouth expects its claim to be heard by the Courts in September 2011.

The Council has decided to recognise an impairment based on it recovering 94.86p in the £ and has calculated the impairment based on the following assumptions re timing of recoveries

• October 2011	22.17%	October 2015	8.87%
• October 2012	8.87%	October 2016	8.87%
• October 2013	8.87%	October 2017	8.87%
• October 2014	8.87%	October 2018	19.47%

These assumptions do not differ materially from that issued by CIPFA in May 2011, which indicates the first repayment of 22.17% will not be until December 2011. Recoveries are expressed as a percentage of the Council's claim in the administration, including contracted interest up to 22 April 2009.

Recovery remains subject to the following uncertainties and risks:

- Outcome of the latest court action through the Supreme courts
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Agreement of contracted interest
- Recovery of Court costs

The Council, working with Bevan Brittan solicitors and the Local Government Association (LGA), continues to actively pursue the recoveries of its total investments.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

The Council has instructed Bevan Brittan Solicitors (and through them Icelandic and English Counsel) to act for the Council in pursuing its claim through the courts. The situation still remains subject to uncertainty. Whilst priority status has been agreed for test cases, this is still being challenged and each non test case, including Plymouth's claim, will need to be considered individually. The Council expects its case to be heard by the Court in September 2011. Should priority status be upheld the Council can expect to recover 100% of its deposit. This falls to 29% if the court case is not successful.

The Council continues to recognise an impairment based it recovering 29p in the £ (non priority status) and has calculated the impairment based on the following assumptions re timing of recoveries

• October 2011	4.35%	October 2014	4.35%
• October 2012	4.35%	October 2015	11.6%
• October 2013	4.35%		

This differs from latest advice by CIPFA which indicates the impairment should be based on priority status with full (100%) recovery in December 2011. The accounts will be adjusted as necessary following the outcome of the Council's court hearing in September 2011. Recoveries are expressed as a percentage of the Council's claim in the administration, which it is expected may validly include contracted interest up to 22 April 2009.

Recovery is subject to the following uncertainties and risks:

- Outcome of the non test case court hearing
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Agreement of contracted interest
- Recovery of Court costs

The cumulative impairment charge for the Icelandic banks is £7.665m, made up of principal of £5.904m and interest £1.761m. This was charged to the Council's revenue account in 2009/10 and funded from the approved Capitalisation Direction and reserve transfer.

The impairment charge has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

The calculation of the impairment by the Council differs from the guidance issued by CIPFA under LAAP 82 (as updated May 2011) which, recommends the recoveries for Landsbanki and Glitnir banks should both be based on priority status. If the Council had applied priority status to the Glitnir claim, the impairment charge to the accounts would have been £1.254m, a difference (reduction) of £4.646m.

Adjustments to the assumptions will be made in future accounts as the results of the Court proceedings in relation to Plymouth's claim are known. The Council, working with Bevan Brittan solicitors and the Local Government Association (LGA), continues to actively pursue the recoveries of its total investments.

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meets its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future. The Council's policy is to ensure that not more than 30% of long-term loans are due to mature within any financial year.

The maturity structure of financial liabilities is as follows (at nominal value):

Loans outstanding	31 Mar 2010	31 Mar 2011
	£000	£000
Public Works Loans Board	28,889	61,315
Market debt	130,000	130,000
Temporary borrowing	73,650	94,985
Local bonds	83	83
Devon Debt	33,937	0
Deferred Liability (PFI)	33,156	31,753
Deferred Liability (Finance Leases)	3,800	3,263
Trade Creditors	35,531	31,334
Total	**339,046**	**352,733**

Less than 1 year	113,211	125,867
Between 1 and 2 years	3,219	1,546
Between 2 and 5 years	6,970	3,716
Between 5 and 10 years	13,709	9,166
Between 10 and 20 years	16,302	22,377
Between 20 and 30 years	35,043	35,978
Between 30 and 40years	12,220	1,411
Between 40 and 50 years	22,507	41,226
Over 50 years	115,865	111,446
Total	**339,046**	**352,733**

All trade and other payables are due to be paid in less than one year.

There is £56m in the over 50 year category of LOBO's which have a call date in the next 12 months.

£94.985m of short term borrowing in place at 31 March 2011 was taken under approved authority to meet the Council capital financing and cash flow requirements to the end of the financial year. These loans can be repaid from cash flow and maturing deposits in 2010/11 if required thus reducing credit risk. These repayments are not subject to liquidity risk and as there is no need to replace this borrowing there will be no exposure to interest rate risk.

Market Risk

Interest rate risk

The Council is exposed to risks in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest rate expense charged to the Income and Expenditure account would rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings would fall
- Investments at variable rates – the interest income credited to the income and expenditure account would rise
- Investments at fixed rates – the fair value of the assets will fall.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. This strategy is periodically reviewed during the year to update for any modifications required in the light of actual movements in interest rates. As part of this strategy limits are set for variable interest rate exposure to ensure that variable rate borrowing does not exceed variable rate investments. In both cases variable rates are considered to be any loan or investments with maturities of less than 1 year or longer term loans or investments with the period to maturity falling below 1 year. During periods of falling interest rates, and

where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. Any variations during the year are reported to the Treasury Management Board, who discuss action required in terms of any changes to the day to day implementation of the Council's investment strategy, and also form part of the bi-monthly monitoring reports to Cabinet.

Price Risk
The Council does not invest in equity shares and is not exposed to movements in price.

Foreign Exchange Risk
The Council has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

17. Debtors

17.1. Long Term Debtors

Long Term Debtors	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Council House Mortgages	75	46	31
Other Loans/Mortgages	487	437	195
Citybus	211	0	0
LATS Purchases	196	72	0
Other Debtors		781	505
Total Long Term Debtors	**969**	**1,336**	**731**

The Council has a number of legal charges secured on properties to cover the payment of adult Social Care fees and charges for services. Based on historical trends, the Council is unlikely to secure payment of the relevant debt within the next 12 months. Fees and charges for services continue to be raised on a monthly basis which results in the debt increasing until such time as a property is sold and the charge is redeemed. During 2010/11 the total debt repaid in full amounted to £0.411m. In addition, it was decided to raise a provision of £0.334m against debt that is aged more than 2 years.

17.2. Short Term Debtors

Debtors are carried in the Balance Sheet at amortised cost, which generally equates to invoice value. The carrying value of the debt is reduced, however, to take into account the potential non-collectability of debt.

Short Term Debtors	1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Amounts Falling Due in One Year			
Central Government Departments	13,559	18,824	12,055
Public Corporations & Trading Funds	0	0	57
NHS Bodies	1,667	2,860	1,744
Other Local Authorities	3,204	3,540	2,958
Other entities and individuals	20,868	22,650	18,358
	39,298	**47,874**	**35,173**

17.3. Bad Debt Provision

The movement on the allowance for non collectability of debt (bad debt provision) account over the year was as follows

Bad Debt Provision	Balance 31 Mar 2010 £000	Provision made in year £000	Provision used in year £000	Balance 31 Mar 2011 £000
General Fund	(1,318)	(686)	219	(1,785)
Housing Benefit Overpayments Provision	(2,069)	(378)	393	(2,054)
HRA Bad Debt Provision	(383)	0	164	(219)
Collection Fund	(6,499)	(850)	555	(6,794)
Total Provisions For Bad Debt	**(10,269)**	**(1,914)**	**1,331**	**(10,852)**

Further detail on the HRA provision is provided in the HRA note 5 page 169 and the Collection Fund in note 4 page 176

18. LATS

The Landfill Allowances Scheme (LATS) was introduced in 2005/06. Under the scheme authorities are given an annual LATS allowance which is to be shown as an asset on the Balance Sheet, initially at face value. The allowances are used to meet the cost of Biodegradable Municipal Waste (BMW) landfill usage for the relevant year. If an authority's BMW liability for the year exceeds its LATS allowance it is required to pay a fine to DEFRA. However authorities can purchase additional allowances from other authorities on the open market to meet some or all of their excess liability. The LATS allowances are carried on the Balance Sheet at the lower of cost or net realisable value.

During 2010/11 the shortage of allowances in the market has seen these being traded once again. The total value of LATS Allowances is £0.875m applying a unit rate per allowance of £12.50. The estimated cost of landfill usage in 2010/11 is £0.737m and a provision for this amount has been set up (see Note 22.2 page 111). After taking into account the estimated liability, the Council has allowances to the value of £0.138m which can be used to offset next year's liabilities.

Confirmation by DEFRA of the Council's tonnages used is not expected until September 2011.

19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

Cash and Cash Equivalents	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Cash & Bank	3,404	3,303	587
Short-term deposits with building societies	23,105	76,145	92,357
Total	**26,509**	**79,448**	**92,944**

20. Assets Held for Sale

The following table shows the movement in assets held for sale during the year. All assets are expected to be sold within the next 12 months and are therefore classified as short term for Balance Sheet purposes.

Assets held for Sale	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Balance outstanding at start of year		503	2,510
Assets newly classified as held for sale:			
Property, Plant and Equipment		0	783
Revaluation losses		0	
Revaluation gains		2,245	
Impairment losses		0	
Assets declassified as held for sale:			
Property, Plant and Equipment		0	(110)
Assets sold		(238)	(126)
		2,510	**3,057**

21. Creditors

21.1. Short term Creditors

Creditors payable within the next 12 months are:

Creditors	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Central Government Departments	8,966	15,841	9,834
Corporations & Trading Funds	54	59	6
NHS Bodies	1,407	1,140	1,857
Other Local Authorities	3,825	4,626	3,869
Other entities and individuals	53,700	49,893	44,736
Total	**67,952**	**71,559**	**60,302**

21.2. Long Term Creditors

Creditors falling due after more than 12 months are:

Creditors falling due after more than 12 months	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Central Government Departments			
Corporations & Trading Funds			
NHS Bodies			
Other Local Authorities	17,691	20,166	18,227
Other entities and individuals		495	530
Total	**17,691**	**20,661**	**18,757**

The main creditor included within the other Local authorities relates to a liability to Devon County Council for unfunded pension liabilities relating to pre Local Government Reorganisation.

21.3. Other Long Term Liabilities

Other Long Term Liabilities	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Finance Leases	(1,368)	(1,088)	(1,803)
PFI Finance Leases	(36,302)	(33,156)	(31,753)
Tamar Science Park	0	0	(1,224)
Devon County Council Pre-LGR debt	(35,351)	(33,937)	0
Total	**(73,021)**	**(68,181)**	**(34,780)**

As part of the review of leases under IFRS, the Council has reclassified a number of operating leases as finance leases. These relate to both vehicle and equipment leases as well as property leases at Haxter Close and Holly & Willow Courts. The Balance Sheet for 1 April 2009 has been restated accordingly.

During the year the Council negotiated with Devon County Council to take the outstanding liability on the pre-LGR debt in-house.

The Council has signed an agreement with the University of Plymouth to jointly manage Tamar Science Park, with the funding agreement being signed in August 2010. The Council's contribution to the Joint Venture has been agreed at £1.5m. However, no cash payment has been made. The Council has instead agreed to forego rental income and development receipts until such time that the full contribution is reached. The investment has been included on the Council's Balance Sheet as a long term liability set up to recognise the deferred payments. The actual payments are being discounted at a rate of 3.5% p.a. based on the social preference rate.

22. Provisions

The Council has a number of budget provisions set up to meet known liabilities. Provisions are compulsory and required to comply with accounting standards. The balance on the provisions at year end together with movement in the year is outlined below:

Provisions	Insurance Provisions £000	Other Provisions £000	Total £000
Balance at 31 March 2010	6,090	4,680	10,770
Additional Provisions made in 2010/11	3,662	1,086	4,748
Amounts used in 2010/11	(3,274)	(2)	(3,276)
Unused amounts reversed in 2010/11	(105)	(1,350)	(1,455)
Balance at 31 March 2011	**6,373**	**4,414**	**10,787**

Provisions are required to be analysed between those expected to be settled within the next 12 months and those expected to be settled over a longer term. Further analysis of the estimated timing is shown at the end of this note.

22.1. Insurance Provisions

Insurance Provisions:	Balance 31 Mar 2010 £000	Receipts in year £000	Payments in year £000	Unused amounts reversed in year £000	Balance 31 Mar 2011 £000
- General Fund	3,333	2,709	(2,439)		3,603
- Housing	411	69	(138)		342
- Employers' Liability	2,102	728	(613)		2,217
- Balance of Risk for Schools	92	156	(84)		164
- Pre LGR Insurance Liabilities	152			(105)	47
Total Insurances provisions	**6,090**	**3,662**	**(3,274)**	**(105)**	**6,373**

Insurance Funds

With regard to the cost of insurances, the Council insures only part of its risks externally through insurance companies, with other risks covered by specific internal funding. The insurance provision receives contributions from charges made to service revenue accounts for insurance, and payments are made from the fund in respect of insurable liabilities, which are covered internally.

Due to the ring-fencing legislation which applies between the General Fund and the Housing Revenue Account (HRA) a separate Insurance Fund was established for the HRA, which was funded by contributions from the HRA. Although the housing stock was transferred during 2009/10 there are a number of outstanding claims which remain the responsibility of the City Council. Additional claims may also be received in future relating to the period prior to stock transfer. Following the closure of the HRA the risk fund will continue to be separately identified for disclosure purposes but adjustments to the provision will be accounted for within the General Fund.

At the year end, the balance on the various funds equates to the best estimate of liabilities from claims.

The Insurance Funds are used to meet the cost of claims and other losses not covered by policies held with insurance companies. The policies can be summarised as follows:

Not covered	
Liability	First £250,000 of any claim
Main Fire Insurance	First £100,000 of any claim
Money & Fidelity Guarantee	First £10,000 of any claim
Computer All Risks	Variable between £1,000 and £10,000 of any claim
Other All Risks	First £10,000 of any claim

The maximum liability (stop losses) for the Council in any one period is:

Liability	£3.6m
Main Fire	£0.6m
Money	£0.05m

All of the Council's buildings are insured against fire, whilst some are also covered against other perils. Liability cover includes public liability and employer's liability.

22.2. Other Provisions

In addition to the insurance provision, the Council also has a number of other provisions set up to meet the costs of liabilities that have not been settled as at the Balance Sheet date. Movement in the provisions during the year are shown in the table below, with further details of the main provisions provided after. The majority of the obligations provided for within the provisions have been met during 2010/11.

Other Provisions:	Ref	Balance 31 Mar 2010 £000	Receipts in year £000	Payments in year £000	Unused amounts reversed in year £000	Balance 31 Mar 2011 £000
Unused Provisions reversed in year:						
Provision for Repayment of Renovation Grants		16			(16)	0
Provision for Repayment of Education Awards		327			(327)	0
HRA Gas Servicing Ex-Gratia Payments		1,007			(1,007)	0
Other provisions:						
- Redundancy Provision	A	0	178	0		178
- Rent Collection Account	B	0	171			171
- Backdated Equal Pay claims	C	3,330		(2)		3,328
- Liability for BMW Landfill Usage	D	0	737	0		737
Total Other Provisions		**4,680**	**1,086**	**(2)**	**(1,350)**	**4,414**

The purposes of the main provisions are as follows:

A. Redundancy Provision – In accordance with accounting standards the Authority is required to account for employment benefit when earned. This provision relates to estimated cost payable to staff who have been issued with a redundancy notice but who had not left the authority by 31 March. It is expected that this provision will be utilised in full in 2011/12

B. Rents Collection Account - A new provision has been set up in year relating to prepaid housing rents retained by the authority on stock transfer. Former tenants continue to have a claim against the Council for refund of these amounts. Previously this amount was carried as a creditor on the Balance Sheet. Provision expected to be used in 2011/12.

C. Back dated equal pay claims - the Council carries a provision for backdated equal pay claims as required under accounting standards. The Council was awarded a Capitalisation Direction towards these costs in 2007/08 and continues to carry a sum of £1.400m on the Balance Sheet pending tribunal hearings. Additional claims have been received after 1 April 2008, however under Regulations issued by CLG Local Authorities are not required to account for any liabilities until payments are actually incurred. An equivalent amount is therefore carried as a 'negative' capital reserve. Any claims settled will therefore result in a cost and pressure to the revenue budget. There are no dates for hearings so this has been classified a long term provision.

D. Liability for Biodegradable Municipal Waste (BMW) Landfill Usage - The liability for BMW landfill usage in 2010/11 will be met in full by the Landfill Allowances Trading Scheme (LATS). Provision will be used in full 2011/12.

Provisions expected to be utilised in the next 12 months are carried forward on the Balance Sheet as current liabilities. The following table analyses the provisions between current and non-current. In terms of the insurance provisions, the analysis is based on historic trends of claims settlement.

	Short Term Liability £000	**Long Term Liability £000**	**Total £000**
Insurance provisions	1,822	4,551	6,373
Redundancy Provision	178	0	178
Rent Collection Account	171	0	171
Backdated Equal Pay claims	0	3,328	3,328
Liability for BMW Landfill Usage	737	0	737
Total Provisions	**2,908**	**7,879**	**10,787**

23. Reserves

The Council holds a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accountancy practice and others have been set up voluntarily to earmark resources for future spending plans. The following table outlines the main reserves and the purpose of the reserve. Further details of the movement in the year are provided in the following paragraphs.

23.1. Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and policy initiatives.

	Ref	Restated balance 1 Apr 2009 £000	Restated Transfer to Reserves in year £000	Restated Transfers from Reserves in year £000	Restated balance 31 Mar 2010 £000	Transfer to Reserves in year £000	Transfers from Reserves in year £000	Balance 31 Mar 2011 £000
Trading Account and other Statutory Ringfenced Reserves	A							
Off Street Car Park		0	(1,556)	1,556	0	(1,460)	1,460	0
On Street Parking		0	(1,202)	1,202	0	(1,328)	1,328	0
City Market		0	(78)	78	0	(92)	91	(1)
Taxis		131	(121)	0	10	(66)	0	(56)
Street Trading		(104)	(7)	0	(111)	0	0	(111)
Land Charges Development Fund		(54)	0	2	(52)	(8)	0	(60)
Commuted Maintenance	B	(988)	(197)	30	(1,155)	(98)	25	(1,228)
Education/Schools Earmarked Reserves	C							
Education carry forwards		(3,207)	(1,915)	3,059	(2,063)	(1,846)	1,971	(1,938)
School Budget Share		(9,151)	0	3,037	(6,114)	0	574	(5,540)
PFI Reserve		(998)	(345)	0	(1,343)	(125)	0	(1,468)
PCC Earmarked Reserves for policy/future liabilities					0			0
Accommodation Reserve	D	(1,262)	(550)	0	(1,812)	0	0	(1,812)
Insurance & Risk Management Reserve	E	(1,483)	(162)	417	(1,228)	(53)	331	(950)
Budget carry forwards reserve	F	(1,756)	(576)	1,169	(1,163)	(1,400)	494	(2,069)
Job Evaluation Reserve		(2,100)	(52)	807	(1,345)	0	1,293	(52)
Pensions Fund Reserve	G	0	(238)	0	(238)	(850)	0	(1,088)
Redundancies Reserve	H	(1,133)	0	551	(582)	(2,549)	521	(2,610)
Corporate Improvement Reserve	I	(3,836)	(200)	1,738	(2,298)	0	1,800	(498)
Stock transfer	J	(735)	0	735	0	0	0	0
ex gratia gas servicing	J	0	0	0	0	(1,005)	0	(1,005)
Capital Reserve	K	(975)	0	0	(975)	0	0	(975)
Waste Reserve	L	(750)	(750)	0	(1,500)	(900)	0	(2,400)
Equal Pay	M	(350)	0	0	(350)			(350)
Strategy for Change (BSF)		(250)	0	0	(250)	0	250	0
Recovery costs - Icelandic Banks	N	(281)	(54)	204	(131)	(377)	128	(380)
Urban Enterprise Fund	O	(1,000)	0	633	(367)	(174)	18	(523)
Invest to Save Reserve	P	0	0	0	0	(2,262)	0	(2,262)
Grants carry forward	Q	(2,973)	(2,970)	2,973	(2,970)	(3,071)	2,970	(3,071)
Sub total C/fwd		**(33,255)**	**(10,973)**	**18,191**	**(26,037)**	**(17,664)**	**13,254**	**(30,447)**

	Ref	Restated balance 1 Apr 2009 £000	Restated Transfer to Reserves in year £000	Restated Transfers from Reserves in year £000	Restated balance 31 Mar 2010 £000	Transfer to Reserves in year £000	Transfers from Reserves in year £000	Balance 31 Mar 2011 £000
Sub total B/fwd		**(33,255)**	**(10,973)**	**18,191**	**(26,037)**	**(17,664)**	**13,254**	**(30,447)**
Other Ringfenced Reserves								
DRCP	R	(1,145)	(91)	72	(1,164)	(161)	152	(1,173)
Commercial rents sinking fund		0	(73)	0	(73)	(85)	100	(58)
Plymouth City Development Company Legacy Reserve	S	0	0	0	0	(412)	0	(412)
A386 Park & Ride Leased Spaces	T	0	(645)	23	(622)	0	44	(578)
Other Reserves		(550)	(348)	209	(689)	(118)	318	(489)
Total Earmarked Reserves		**(34,950)**	**(12,130)**	**18,495**	**(28,585)**	**(18,440)**	**13,868**	**(33,157)**

The main earmarked reserves and their purpose are as follows:

A. Trading Reserves

The Council continues to operate a number of activities as trading activities, for which a separate reserve is held. These include:

- Plymouth City Market
- On street Parking reserve
- Off street Parking Reserve
- Hackney Carriage and Private Hire
- Street Trading

Surpluses and deficits from the operations are either transferred to or from the trading reserve accounts or to the General Fund, subject to statutory limitations. The use of some of these reserves is restricted, for example the on-street parking reserve may only be used to support transport related activities. Many of these reserves have now been exhausted with any surpluses generated in the year being required to meet ongoing commitments.

B. Commuted Maintenance Reserves

One-off sums are received periodically by the Council from developers towards future maintenance obligations and improvement works arising from land adopted by the Council following development work.

C. Education/Schools Reserves

- Education carry forwards – A number of reserves are held on behalf of several educational establishments which operate under devolved budgets, whereby any surpluses or deficits are carried forward to the following financial year.
- School budget share – Represents year end under delegated budgets
- PFI Reserve – The Council receives PFI credits towards the schools PFI contract at Wood View in equal instalments over the course of the contract. Credits received in excess of costs are carried forward in a reserve to meet future expenditure, thus smoothing expenditure and income over the term of the contract.

D. Accommodation Reserve

This reserve has been set up to meet repair and maintenance costs of Council accommodation, in particular any costs arising in respect of maintaining the Civic Centre pending a decision on its future over the longer term and to support the wider accommodation strategy.

E. Insurance & Risk Management Reserve
The purpose of this reserve is to meet any unforeseen or increased costs of insurance claims or works to minimise insurance risk. The fund is available to meet the costs of urgent health & safety works that cannot be contained within existing budgets.

F. Budget carry forwards Reserve
This reserve has been set up from end of year budget underspends in order to meet future Council priorities and is outlined within the Councils budget carry forward policy. It will generally be utilised in full the following year but may be supplemented as part of Closedown following assessment of future risks and budget pressures. The reserve is kept under review and balances no longer required are transferred to revenue or other reserves as appropriate. As part of 2010/11 outturn the reserve has been increased to include budget provision towards the America's Cup, schools demolitions and a contingency for non achievement of procurement costs in 2011/12.

G. Pensions Fund Reserve
Following the triennial pensions review the Council's contribution rate has been held at current levels for the next three years. However, this is on the understanding that contributions into the fund remain at least at 2010/11 levels. Any shortfall will require a one off lump sum payment in year 3. Given further outsourcing, the transfer of schools to academies and the anticipated reduction in workforce, it is highly likely that a shortfall will be incurred, and this fund has been set up to minimise any costs that may be incurred in 2013/14.

H. Redundancies Reserve
This reserve has been set up to meet the potential costs of redundancies, including strain payments to the pension fund.

I. Corporate Improvement Reserve
This reserve was set up in 2006/07 to meet the cost of major projects and/or pump priming initiatives. It has been reviewed during 2010/11 and the surplus transferred to the Invest to Save reserve. The balance on the reserve at year end reflects amounts allocated towards projects in 2010/11 that were either met from core budgets or have slipped into 2011/12. Any balances on the reserve no longer required will be transferred to the Invest to Save Reserve during 2011/12.

J. Stock Transfer Residual Liabilities
At 31 March 2010 the Council held a provision for ex-gratia payments re gas servicing charges incorrectly levied. This account has been reclassified as a reserve during 2010/11.

K. Capital Reserve
Sums set aside in this reserve will be used in future years to meet the costs of temporary borrowing should there be a delay in realising receipts to finance the capital programme.

L. Waste Reserve
Reserve set up to proactively provide and manage the future budget shortfall due to increasing landfill tax liability pending the new energy from waste plant becoming operational.

M. Equal Pay Reserve
There are a number of claims that have yet to be heard by employment tribunals. This reserve has been set up to meet the costs of any successful claims.

N. Recovery Costs (Icelandic Banks) Reserve
The situation with regard to the recovery of monies invested in the Icelandic banks continues to be uncertain. This reserve is currently meeting the ongoing legal costs and borrowing costs from utilising the capitalisation direction in 2009/10.

O. Urban Enterprise Fund Reserve
The Urban Enterprise programme was set up to support the creation of new businesses and support these new businesses, employment opportunities and social enterprises for the Plymouth region and promote local economic growth. This reserve is match funding to ensure that Plymouth gains access to the European funding available to the region to support Urban Enterprise.

P. Invest to Save Reserve
This reserve has been set up using balances released from other reserves. It is to be used to support or pump prime ‘invest to save’ initiatives in order to deliver budget savings over the medium term.

Q. Grants carry forward Reserve
Under IFRS (International Financial Reporting Standards) all grant income must be released to revenue unless there are payback conditions attached. Previously, unspent balances at year end would have been carried forward as a creditor accrual. This is no longer permitted and authorities are required to use their locally approved reserve mechanisms to carry balances forward. This reserve therefore reflects unspent balances on ringfenced grant income at the year end, where there are continuing commitments.

R. DRCP Reserve
In order to maximise the grant available to Devonport Regeneration Community Partnership in 2007/08, exceptional approval was given to use £2.056m of grant towards the Council's spend on the Devonport NDC area. The Council is required to 'payback' the grant to the projects approved by the DRCP Board. The current balance on the reserve is £1.173m. The reserve has been allocated in full to projects in future years and approved by the Board.

S. Plymouth City Development Company Legacy Reserve
This reserve has been set up to earmark funds to continue the activities previously provided by the Company including the branding of the City as part of Positively Plymouth. The reserve includes funds provided by the RDA (Regional Development Agency) and HCA (Homes & Communities Agency).

T. A386 Park & Ride Leased Spaces Reserve
The balance on this reserve is an upfront payment from the Primary Care Trust (PCT) for leased spaces at the George Park & Ride site. Amounts are being released to revenue annually in lieu of rental payments.

23.2. Usable Capital Receipts

Capital receipts are received by the Council for the sale of assets and the repayment of mortgage loans. 75% of receipts relating to HRA Right To Buy sales, including mortgage repayments, are paid over to central Government whilst the balance remaining may be used for the following:

- To finance capital expenditure
- To be set aside to finance future repayment of debt

The table below shows the movement in the reserve during the year:

Usable Capital Receipts	2009/10 £000	2010/11 £000
Balance at 1 April	5,376	21,359
Add: Receipts from sales of assets etc	22,957	3,795
Equated Interest	0	201
	28,333	25,355
Less:		
Right to Buy Administration Costs	(24)	(6)
Set Aside to finance future repayment of debt	(638)	0
Transfer to Consolidated Revenue Account re Housing Pooled Capital Receipts	(564)	(44)
Used to Finance Capital Expenditure	(5,748)	(2,814)
Balance at 31 March	**21,359**	**22,491**

23.3. Unusable Reserves – Summary

Unusable Reserves	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Revaluation Reserve	77,242	101,617	111,989
Capital Adjustment Account	935,285	427,618	344,897
Financial Instruments Adjustment Account	(7,928)	(3,721)	(3,851)
Pensions Reserve	(348,221)	(469,547)	(240,439)
Collection Fund Adjustment Account	(47)	(253)	(325)
Unequal Pay Back Pay Account	(1,843)	(1,843)	(1,843)
Accumulating Compensated Absences Adjustment Account	(4,572)	(5,179)	(4,652)
Deferred Capital Receipts	151	56	43
Total Unusable Reserves	**650,067**	**48,748**	**205,819**

23.4. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

A prior year adjustment of £1.122m has been made between the revaluation reserve and capital adjustment account in 2009/10. See note 2.7 page 72.

	Restated 2009/10 £000	2010/11 £000
Balance at 1 April	**77,242**	**101,617**
Upward revaluation of assets	38,218	47,229
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(9,435)	(28,413)
Surplus or deficit on the revalaution of non-current assets not posted to the Surplus of Deficit on the Provision of Services	**28,783**	**18,816**
Difference between fair value depreciation and historical cost depreciation	(3,598)	(6,029)
Accumulated gains on assets sold or scrapped	(810)	(2,415)
Amount written of to the Capital Adjustment Account	**(4,408)**	**(8,444)**
Balance at 31 March	**101,617**	**111,989**

23.5. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of

acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following table shows the transactions posted to the account during the year

Capital Adjustment Account	Restated 2009/10 £000	2010/11 £000
Balance at 1 April	935,285	427,618
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non current assets	(80,887)	(102,091)
Revaluation losses on Property, Plant and Equipment	(3,193)	0
Amortisation of intangible assets	(607)	(597)
Revenue expenditure funded from capital under statute	(16,262)	(8,363)
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(551,095)	(30,041)
Adjusting amounts written out of the Revaluation Reserve	0	0
Net written out amount of the cost of non current assets consumed in the year	0	0
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	5,748	2,814
Use of the Major Repairs Reserve to finance new capital expenditure	0	0
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	43,562	48,295
Amounts reserved for future capital financing:-		
Capital Receipts	638	0
Loan Repayment re Housing Stock Transfer to PCH	91,372	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	10,420	8,440
Capital expenditure charged against General Fund and HRA Balances	6,618	1,708
	0	0
the Comprehensive Income and Expenditure Statement	(659)	(2,782)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	0
Other Movement on the CAA in year:-		
Principal Repayments to DCC re Pre LGR Debt	0	0
Write Down of Long Term Debtors	(287)	(269)
Write Down of Long Term Investment - Disposals	(1,290)	0
Transfer to HRA Major Repairs Reserve re HRA Resource Accounting	(9,137)	0
Write Down of Unamortised Premiums and Discounts re Loan Repayment	(2,822)	0
Adjustment re Pre 2004 Leases	214	165
Balance at 31 March	**427,618**	**344,897**

23.6. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive

Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 45 years.

The movement on the account in 2010/11 is shown below

Financial Instruments Adjustment Account	2009/10 £000	2010/11 £000
Bal B/F 1 April	7,928	3,721
Movement in year:		
Discount received in year	(101)	0
Charge to STMGFB in year		
Premiums-amortised cost	(756)	(53)
Discounts - amortised cost	439	239
Soft loans adjustment	(7)	(6)
Stepped LOBO Loan Adjustment	(45)	(50)
Iceland impairment	(914)	0
Iceland - reversal Interest		
PWLB stock transfer repayments- premiums	(4,312)	0
PWLB stock transfer repayments- discounts	1,489	0
Balance 31 March	**3,721**	**3,851**

23.7. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	Restated 2009/10 £000	2010/11 £000
Balance at 1 April	(348,221)	(469,547)
Actuarial gains or losses on pensions assets and liabilities	(101,204)	151,908
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and	(42,527)	53,657
Employer's pensions contributions and direct payments to pensioners payable in	26,233	22,920
Pension Fund	(3,828)	623
Balance at 31 March	**(469,547)**	**(240,439)**

23.8. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Collection Fund Adjustment Account	2009/10	2010/11
	£000	£000
Balance at 1 April	(47)	(253)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(206)	(71)
Balance at 31 March	**(253)**	**(324)**

23.9. Equal Pay Back Pay Account

Many Authorities are experiencing large numbers of claims for back pay from appeals about equal pay arising from the implementation of the single status agreement. The Equal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

Equal Pay Back Pay Account	2009/10	2010/11
	£000	£000
Balance at 1 April	(1,843)	(1,843)
Increase in provision for back pay in relation to Equal Pay cases	0	0
Cash settlements paid in the year	0	0
Balance at 31 March	**(1,843)**	**(1,843)**

23.10. Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Accumulating Compensated Absences Adjustment Account	Restated 2009/10 £000	2010/11 £000
Balance at 1 April	4,572	5,179
Settlement or cancellation of accrual made at the end of the preceding year	(4,572)	(5,179)
Amounts accrued at the end of the current year	5,179	4,652
Balance at 31 March	**5,179**	**4,652**

23.11. Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognized in the disposal of non- current assets but for which cash settlement has yet to take place. Under statutory arrangements the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Usable capital receipts reserve. The balance on the Deferred Capital Receipts Account represents amounts outstanding on mortgages granted to ex- Council tenants to purchase their Council Houses under Right to Buy (RTB) Legislation. During the year a total of £0.013m was repaid in respect of these loans. The Council no longer offers loans for this purpose. Although the stock has been transferred to PCH, the mortgages remain the responsibility of the Council.

The housing mortgage portfolio is managed by LAMAC. At 31 March 2011 there were 10 mortgages outstanding with a debt of £43,419m.

24. Cash Flow Disclosures

24.1. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

Note A to the Cashflow Statement	2009/10	2010/11
	£'000	£'000
Net Surplus or (Deficit) on the Provision of Services	**(517,292)**	**(16,299)**
Adjust net surplus or deficit on the provision of services for non cash movements		
Depreciation	84,257	102,688
PWLB Loan repayment (Stock Transfer)		
Material impairment losses on Investments debited to surplus or deficit on the provision of services in year	5,723	0
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	(45)	(6)
Adjustments for effective interest rates	0	(51)
Increase/decrease in provision for impairments/doubtful debts re: Loans & Advances	0	(214)
Increase/Decrease in Interest Creditors	(1,582)	(33)
Increase/Decrease in Creditors	2,970	(12,249)
Increase/Decrease in Interest and Dividend Debtors	4,289	303
Increase/Decrease in Debtors	(6,229)	4,261
Increase/Decrease in Inventories	562	(140)
Pension Liability	46,279	(54,280)
Contributions to/(from) Provisions	(1,067)	18
Provision for Equal Pay	0	(2)
Accumulated Absence	607	(527)
Carrying amount of non-current assets sold	461,842	30,042
Carrying amount of short and long term investments sold	1,353,222	369,776
	1,950,828	**439,586**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
Capital Grants credited to surplus or deficit on the provision of services	(45,916)	(41,843)
Proceeds from the sale of short and long term investments	(18,755)	(369,776)
Proceeds from the sale of property plant and equipment, investment property and intangible assets	0	(3,776)
	(64,671)	**(415,395)**
Net Cash Flows from Operating Activities	**1,368,865**	**7,892**

Note B to the Cash Flow Statement - Operating Activities (Interest)	2009/10 £'000	2010/11 £'000
Ordinary interest received	11,464	2,816
Soft Loans (non Subsidiary)-Interest adjustment credited to I+E Account during year	0	(6)
Opening Debtor	6,345	2,446
Closing Debtor	2,056	2,143
Interest Received	**19,865**	**3,113**
Interest charge for year	(17,760)	(12,385)
Adjustments for differences between Effective Interest Rates and actual interest payable	(45)	(51)
Adjustment for impairment losses on Long & Short Term Investments charged to Interest Payable	5,723	0
Opening Creditor	(3,532)	(1,949)
Closing Creditor	1,950	1,916
Interest Paid	**(13,664)**	**(12,469)**
Dividends Received	366	0
Opening Debtor	0	0
Closing Debtor	0	0
Dividends Received	**0**	**0**

24.2. Cash Flow Statement – Investing Activities

Note C to the Cash Flow Statement - Cash Flows from Investing Activities	2009/10 £'000	2010/11 £'000
Property, Plant and Equipment Purchased	(94,049)	(70,230)
Add back new Finance Leases (non cash flow item)	0	127
Opening Capital Creditors	(4,994)	(4,994)
Closing Capital Creditors	5,346	6,103
Movement on other capital creditors	0	28
Purchase of Property, Plant and Equipment, investment property and intangible assets	**(93,697)**	**(68,966)**
Purchase of short and long term investments	**(1,238,135)**	**(366,245)**
Long term loans granted	0	(157)
Other payments for Investing Activities	**0**	**(157)**
Proceeds from the sale of property plant and equipment, investment property and intangible assets	**0**	**1,598**
Proceeds from short term investments	0	355,776
Proceeds from long term investments	18,755	14,000
Proceeds from short-term and long-term investments	**18,755**	**369,776**
Other capital cash receipts	1,744	2,998
Capital Grants Received	44,739	41,242
Other capital cash receipts in advance	0	24
Other Receipts from Investing Activities	**46,483**	**44,264**
Total Cash Flows from Investing Activities	**(1,266,594)**	**(19,730)**

24.3. Cash Flow Statement – Financing Activities

Note D to the Cash Flow Statement - Cash Flows from Financing Activities	2009/10 £'000	2010/11 £'000
Cash receipts of short and long term borrowing	185,300	1,102,070
Billing Authorities - Council Tax and NNDR adjustments	206	7,648
Precepting Authorities Only - Appropriation to/from Collection Fund Adjustment Account	0	(71)
Repayment of Short-Term and Long-Term Borrowing	(231,690)	(1,082,247)
Payments for the reduction of a finance lease liability	0	(663)
Payments for the reduction of a PFI liability	(3,147)	(1,403)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	(2,066)
Total Cash Flows from Financing Activities	**(49,331)**	**25,334**

Note E - Makeup of Cash and Cash Equivalents	2009/10	2010/11
	£'000	£'000
Cash and Bank Balances	3,303	587
Cash Investments - regarded as cash equivalents	76,145	92,357
Bank Overdraft	0	0
Total	**79,448**	**92,944**

25. Amounts reported for resources allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement. The cost of retirement benefits is based on cash flows payment of employer's pensions contributions rather than current service cost of benefits accrued in the year and expenditure on some support services is budgeted for centrally and not charged to directorates.

The income and expenditure of the Authority's General fund directorates recorded in the budget reports for the year is as follows:-

2010/11

	Chief Executive £000	Children and Young People £000	Community Services £000	Corporate Items £000	Corporate Support £000	Development and Regeneration £000	Total £000
Fees, Charges & other service income	(379)	(201,954)	(32,743)	(14,830)	(16,601)	(14,919)	**(281,427)**
Government grants & contributions	(691)	(203,518)	(3,648)	(20,944)	(108,832)	(2,876)	**(340,510)**
Total	**(1,069)**	**(405,472)**	**(36,391)**	**(35,775)**	**(125,433)**	**(17,795)**	**(621,937)**
Employee expenses	1,824	186,761	44,610	2,757	28,309	10,208	**274,470**
Fees, Charges & other service income	0	(3,970)	(10,468)	0	0	0	**(14,437)**
Other operating expenses	970	268,913	111,120	21,056	127,834	23,546	**553,439**
Support Service Recharges	6	5,559	3,533	232	599	465	**10,395**
Total	**2,800**	**457,264**	**148,796**	**24,046**	**156,742**	**34,219**	**823,866**
Net Cost of Services	**1,730**	**51,791**	**112,405**	**(11,729)**	**31,309**	**16,424**	**201,930**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net cost of services in Comprehensive Income and Expenditure Statement	**£000**
Cost of Services in Service Analysis	201,930
Add Adjustments and Amounts not reported in Management accounts	44,963
Add Net Expenditure of Services not included in the main analysis (HRA & Trading)	(1,999)
Remove amounts reported to management not included in Comprehensive Income and Expenditure	(21,333)
Net Cost of Services in Comprehensive Income and Expenditure Statement	**223,429**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	Service Analysis £000	Adjustments & Amounts not in Management accounts £000	Services not in main analysis £000	Not incl in I&E £000	Net cost of services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(276,518)	105,059	(8,725)	14,545	(165,703)	(2,059)	(167,762)
Government grants & contributions	(340,510)	5,756	73	20,310	(314,372)	(165,409)	(479,853)
Income from Council Tax	0	0	0	0	0	(95,732)	(95,732)
Interest and Investment income	(4,909)	0	0	4,909	0	(5,161)	(5,161)
Total Income	**(621,937)**	**110,815**	**(8,725)**	**39,764**	**(480,075)**	**(268,360)**	**(748,443)**
Depreciation, ammortisation and impairment	459	95,399	2,430	(456)	97,832	11	97,843
Employee expenses	268,453	(4,678)	1,951	(24,515)	241,212	14,575	255,787
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	24,828	24,828
Interest Payments	7,706	0	0	(7,706)	0	15,251	15,251
Other service Expenses	537,543	(185,684)	1,979	(27,405)	326,433	6,314	332,747
Payments to Housing Capital Receipts Pool	0	0	0	0	0	44	44
Precepts and levies	194	0	0	(194)	0	194	194
Support service recharges	9,511	28,978	365	(820)	38,034	13	38,047
Total Operating Expenses	**823,866**	**(65,984)**	**6,726**	**(61,097)**	**703,511**	**61,231**	**764,742**
Surplus or deficit on the provision of	**201,930**	**44,831**	**(1,999)**	**(21,333)**	**223,429**	**(207,129)**	**16,299**

Comparative Analysis 2009/10	Chief Executive	Children and Young People	Community Services	Corporate Items	Corporate Support	Development and Regeneration	Tota
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges & other service income	(310)	(210,267)	(40,243)	(22,502)	(17,440)	(14,921)	**(305**
Government grants & contributions	(78)	(196,942)	(10,620)	(19,264)	(99,968)	(4,110)	**(330**
	(388)	**(407,209)**	**(50,863)**	**(41,766)**	**(117,409)**	**(19,031)**	**(636**
Employee expenses	1,826	189,742	46,256	4,546	30,622	9,920	**28**
Other operating expenses	638	265,443	106,320	23,094	120,591	24,225	**540**
Support Service Recharges	65	5,203	2,466	495	633	906	**[illegible]**
	2,529	**460,388**	**155,042**	**28,135**	**151,846**	**35,052**	**83**
Net Cost of Services	**2,141**	**53,178**	**104,179**	**(13,631)**	**34,438**	**16,021**	**196**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	**£000**
Cost of Services in Service Analysis	19
Add Amounts not reported in Management accounts	11
Add Net Expenditure of Services not included in the main analysis (HRA & Trading)	(2
Remove amounts reported to management not included in Comprehensive Income and Expenditure	(20
Net Cost of Services in Comprehensive Income and Expenditure Statement	**289**

Reconciliation to Subjective Analysis 2009/10

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure

Subjective Analysis	Service Analysis	Adjustments and Amounts not reported in Management Accounts	Services not in Main Analysis	Not incl in I&E	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(296,118)	176,413	(39,818)	34,156	(125,366)	0	(125,366)
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	(21,228)	(21,228)
Government grants & contributions	(330,982)	24,498	1,458	19,514	(285,512)	(167,084)	(452,596)
Income from Council Tax	0	0	0	0	0	(92,837)	(92,837)
Interest and Investment income	(9,566)	0	(157)	9,566	(157)	(9,112)	(9,269)
Total Income	**(636,666)**	**200,911**	**(38,517)**	**63,237**	**(411,035)**	**(290,261)**	**(701,296)**
Depreciation, ammortisation and impairment	1,491	78,620	2,915	(2,062)	80,964	0	80,964
Employee expenses	282,911	(12,140)	8,019	(34,705)	244,084	25,656	269,740
Gain or Loss on disposal of Fixed Assets	0	0	0	0	0	464,781	464,781
Interest Payments	16,192	0	0	(16,192)	0	23,549	23,549
Other service Expenses	522,435	(194,338)	22,098	(29,445)	320,749	40	320,789
Payments to Housing Capital Receipts Pool	0	0	0	0	0	564	564
Precepts and levies	193	0	0	(193)	0	193	193
Support Service recharges	9,769	39,933	3,436	(2,067)	51,071	0	51,071
Total Operating Expenses	**832,992**	**(87,925)**	**36,468**	**(84,666)**	**696,869**	**514,783**	**1,211,652**
(Surplus) or Deficit on the Provision of Services	**196,326**	**112,986**	**(2,049)**	**(21,429)**	**285,834**	**224,522**	**510,356**

26. Trading Operations

The Council has a number of internal trading operations which form part of the Council's General Fund. In addition, the City Council operates its on and off-street parking facilities, and Plymouth City Market in the City Centre as trading undertakings. The net surplus or deficit on these accounts is transferred to an appropriate trading reserve. With the exception of Plymouth City Market, the trading position for each operation is charged to the relevant service expenditure.

The surplus or deficit in respect of Plymouth City Market is charged as Financing Income and Expenditure (see note 10 page 86).

The following notes report on the Accounts in the required statutory format for each of the Council's main trading services. The Statutory Accounts differ from the Council's management accounts for these services due to a difference in the treatment of the following items:

Pension Costs (IAS 19)
Capital Charges
Employee Benefit accruals

26.1. Internal Trading Operations

The Local Government Act 1999 abolished all statutory requirements regarding compulsory competitive tendering from January 2000. However, in accordance with CIPFA's recommended practice, the Council has continued to maintain trading accounts for a number of activities.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (e.g. street services), whilst others are support services to the Authority's services to the public (e.g. schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations.

The trading results for each operation, after making the necessary statutory accounting adjustments outlined above, is as follows:

Internal Trading Operations	Income £000	Expenditure £000	Deficit / (Surplus) £000
2010/11			
General Fund Operations			
Street Services	(10,468)	10,449	(19)
Catering	(3,970)	4,193	223
Total Trading Operations	**(14,438)**	**14,642**	**204**
2009/10			
General Fund Operations			
Street Services	(10,470)	10,642	172
Catering	(3,859)	4,182	323
Manufacturing *	(2,833)	2,697	(136)
	(17,162)	17,521	359
HRA Operations			
Building Maintenance - total transferred to HRA*	(7,048)	6,357	(691)
Total Trading Operations	**(24,210)**	**23,878**	**(332)**

* transferred to PCH as part of stock transfer

The main activities of each division are:

Street Services - Responsible Director: Director for Community Services

This Division incorporates a wide range of activities and accounts for over half the total turnover of the Accounts. The Division is responsible for the following areas:

- Grounds Maintenance - The principal areas of work are grass cutting, maintenance of playing fields, team sport facilities, flowerbeds and tree and shrub maintenance. The Grounds maintenance division has a Service Level Agreement (SLA) with PCH to provide services in respect of land transferred. The SLA runs until March 2012.
- Vehicle Maintenance - This contract covers the maintenance of the Council's fleet and also services the plant and equipment used by the other divisions.

Catering - Responsible Director: Director for Children's Services

The provision of meals to 75 schools via local kitchens and cafeterias together with sundry catering facilities to staff.

26.2. Plymouth City Market

The position on Plymouth City Market for 2010/11 was a net trading surplus of £0.107m. The position prior to the adjustments was a deficit of £0.081m. The net surplus is shown within the Financing and Investment Income line within the Comprehensive Income and Expenditure Statement.

Plymouth City Market	2009/10	2010/11
	£000	£000
Income from stall holders - Rents and charges	(1,241)	(1,208)
Expenditure	1,133	1,101
Trading (Surplus)/ Deficit	**(108)**	**(107)**

26.3. Car Parking Trading Operations

The income and expenditure relating to the Council's car parking activities is disclosed within the cost of Highways and Transport Services, as required under the Best Value Accounting Code of Practice (BVACOP). However, as the Council operates these activities as trading undertakings, the financial results of these operations have been included in this Note and are shown below.

Car Parking Trading Operations	2009/10	2010/11
	£000	£000
Off Street Parking		
Income - Fees and charges	(5,404)	(5,319)
Expenditure	2,901	2,908
Trading (Surplus)/Deficit	(2,503)	(2,411)
On Street Parking		
Income - Fees & Charges	(2,798)	(2,887)
Expenditure	1,640	1,565
Trading (Surplus) / Deficit	(1,158)	(1,322)
Total Car Parking Trading Operations	**(3,661)**	**(3,733)**

Prior to the statutory adjustments, the position on the car parking accounts was as follows:

- Off street parking – surplus £0.686m
- On street parking - surplus £1.328m

27. Agency Services

The City Council carries out certain work on an agency basis on behalf of the Plymouth Primary Care Trust (PCT). The funded nursing care element of nursing home payments is paid with the social care element. In addition, an administrative charge is made to facilitate these payments.

	2009/10 £000	2010/11 £000
Expenditure incurred in providing services on behalf of PCT	1,427	4,898
Administration fee payable by the PCT	35	41
Net surplus arising on the agency arrangement	**0**	**0**

28. Pooled Budgets

28.1. Plymouth Primary Care Trust

Section 31 of the Health Act 1999, the NHS Bodies and Local Authorities Partnership Arrangements and the Community Care and Health Act 2002 enable establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues.

Plymouth City Council has entered into a pooled budget arrangement with Plymouth Primary Care Trust for the provision of community equipment services to enable the discharge of patients from hospital. The partnership also provides independent assessment, impartial advice and information about equipment and services for disabled people and their carers and provides a point of contact for professionals working in the Plymouth area.

The gross expenditure and income for the pooled budget is as follows:

Community Equipment Services	**2009/10**	**2010/11**
Income	**£000**	**£000**
Contribution from Plymouth City Council	(1,003)	(772)
Contribution from Plymouth Primary Care Trust	(512)	(530)
Gross Income	**(1,515)**	**(1,302)**
Expenditure		
Employees	65	69
Transport	1	1
Supplies & Services	0	1
Third Party Payments		
-Block Contracts	515	
-Equipment	741	1,231
-Adaptations	193	
Gross Expenditure	**1,515**	**1,302**
Net Expenditure/(Income) for year	**0**	**0**
Accumulated deficit/(surplus) brought forward	**0**	**0**
Accumulated deficit/(surplus) carried forward	**0**	**0**

28.2. Green Infrastructure

The Plymouth Green Infrastructure (GI) project will deliver a network of high quality green and blue spaces that provide the natural services required to allow the City and hinterland to grow sustainably and provide a good quality of life for all. The project will support sustainable growth by creating new, enhancing existing and successfully linking GI assets.
The project is supported by a partnership consisting of Natural England, Plymouth City Council, Forestry Commission, South Hams District Council and the National Trust.

Green Infrastructure	2009/10	2010/11
Income	**£000**	**£000**
Contribution from Plymouth City Council	0	0
Grant Funding Natural England	0	(5)
Contribution from the Forestry Commission	(1)	(19)
Gross Income	**(1)**	**(24)**
Expenditure		
Supplies & Services	1	4
Third Party Payments	0	0
Gross Expenditure	**2**	**4**
Net Expenditure/(Income) for year	**1**	**(11)**
Accumulated deficit/(surplus) brought forward	**(10)**	**(9)**
Accumulated deficit/(surplus) carried forward	**(9)**	**(20)**

28.3. Tamar Estuaries Consultative Forum

The Coastal Planning pooled budget relates to the Tamar Estuaries Consultative Forum. This is a forum of statutory bodies who have a common interest in promoting, for the common good and the benefit of all, a viable sustainable future for the people, the waters and contiguous areas of the River Tamar estuaries. It aims to develop, implement and monitor a realistic management plan for the estuaries.

Coastal Planning	2009/10	2010/11
Income	**£000**	**£000**
Contribution from Plymouth City Council	(7)	(7)
Grant Funding	0	(68)
Contribution from other bodies (several)	(48)	0
Gross Income	**(55)**	**(75)**
Expenditure		
Employees	46	47
Transport	1	1
Supplies & Services	0	2
Third Party Payments	0	2
Gross Expenditure	**47**	**52**
Net Expenditure/(Income) for year	**(8)**	**(1)**
Accumulated deficit/(surplus) brought forward	**(14)**	**(22)**
Accumulated deficit/(surplus) carried forward	**(22)**	**(23)**

28.4. Plymouth Safeguarding Childrens Board

The Plymouth Safeguarding Children Board is the key statutory mechanism for agreeing how all organisations concerned with children will co-operate to safeguard and promote the welfare of local children, and for ensuring the effectiveness of what they do, both as individual agencies and in partnership

Plymouth Safeguarding Children Board	2009/10	2010/11
Income	**£000**	**£000**
Contribution from Plymouth City Council	(119)	(178)
Contribution from various other bodies	(115)	(85)
Training Sales	(18)	(30)
Gross Income	**(252)**	**(293)**
Expenditure		
Employees	127	188
Premises	8	1
Transport	1	0
Supplies & Services	41	79
Third Party Payments	7	0
-Block Contracts	7	7
Gross Expenditure	**191**	**275**
Net Expenditure/(Income) for year	**(61)**	**(18)**
Accumulated deficit/(surplus) brought forward	**0**	**0**
Accumulated deficit/(surplus) carried forward	**(61)**	**(79)**

28.5. Youth Offending Service (YOS)

The Youth Offending Service (YOS) is made up of representatives from the police, probation service, children's social services, health, education, drugs and alcohol misuse and housing officers. The YOS identifies the needs of each young offender by assessing them using a national assessment tool, identifying specific problems as well as measuring potential risks. This enables the YOS to identify suitable programmes to address the needs of the young person with the intention of preventing further offending.

Youth Offending Service	2009/10	2010/11
Income	**£000**	**£000**
Contribution from Plymouth City Council	(655)	(631)
Contribution from partners - Police, Probation and Health	(163)	(163)
Other income - mainly YJB Grants	(964)	(1,059)
Gross Income	**(1,782)**	**(1,853)**
Expenditure		
Employees	1,372	1,422
Premises	53	82
Transport	57	60
Supplies & Services	252	234
Third Party Payments	48	55
Gross Expenditure	**1,782**	**1,853**
Net Expenditure/(Income) for year	**0**	**0**
Accumulated deficit/(surplus) brought forward	**0**	**0**
Accumulated deficit/(surplus) carried forward	**0**	**0**

29. Members' Allowances

The Council made payments totalling £0.937m (2009/10: £0.939m) to its Members in the year made up as follows:

Members Allowances	2009/10 £000	2010/11 £000
Basic Allowance	572	567
Special Responsibility Allowance	364	367
Travel, subsistence and other expenses	3	3
Total	**939**	**937**

Travel and subsistence and other expenses covers claims submitted direct by Councillors. Expenses such as rail or air fares may be raised through the Council's internal procurement system. These are charged to the Members support budget where these relate direct to a Member's corporate responsibility, or, if incurred in relation to a specific service issue, direct to the service concerned.

The Council is required to publish details of payments made to its Members and these can be obtained from the Council's website:

http://www.plymouth.gov.uk/homepage/Councilanddemocracy/membersallowances.htm, or, in writing, from the Democratic Support Officer, Directorate for Corporate Support, Civic Centre, Plymouth PL1 2AA.

30. Officers' Remuneration

30.1. Senior Employees

Senior employees earning £50,000 or more per annum who have responsibility for the management of the Council or power to directly control the major activities of the Council are required to be listed by way of job title. Where an employee's remuneration exceeds £150,000 there is an additional requirement that they be identified by name. Plymouth defines relevant senior staff as members of the Corporate Management Team (Directors) and Departmental Management Teams (Assistant Directors).
During the year, the Council has continued to refine its senior management structure and further posts have been deleted.

In line with majority of the public sector, a pay freeze was implemented for the Council's senior management in 2010/11.

Supporting Notes to Senior Officer Remuneration 2010/11:

Note 1	Increased remuneration for election duties undertaken in 2010/11.
Note 2	Post holder start date was 01/09/09.
Note 3	The Director of Development left the authority on 30/09/09 and post was replaced by Director for Development & Regeneration.
Note 4	In 2009/10 Joint Director with the Primary Care Trust for 3 months.
Note 5	The Assistant Director for Commissioning, Policy and Performance left the authority on 01/04/2010.
Note 6	The Assistant Director for Business Support left the authority on 01/04/10.
Note 7	New appointee started 25/05/09,
Note 8	The Assistant Director for HR left the authority on 19/11/09, the new appointee started on 17/01/10, annualised salary is £84,606.
Note 9	Post holder started 05/10/09.
Note 10	Post holder started 26/10/09.
Note 11	Post holder started 04/01/10.

Senior Management Post	Financial Year	Notes	Salaries	Fees & Allowances	Redundancy payment	Pension Contributions	Total Remuneration
Salary over £150,000							
Chief Executive - Barry Keel	2010/11	1	182,505	1,442		27,376	211,323
Chief Executive - Barry Keel	2009/10		176,316	1,534		26,447	204,297
Salary over £50,000 but less than £150,000							
Assistant Chief Executive	2010/11	2	99,614	157		14,942	114,713
	2009/10		58,108	115		8,716	66,939
Director of Services for Children and Young People	2010/11		129,699	2,119		19,455	151,272
	2009/10		129,699	2,015		19,455	151,169
Director for Community Services	2010/11		114,987	1,970		17,196	134,153
	2009/10		114,637	1,170		17,196	133,003
Director for Corporate Support	2010/11		110,240	-		17,196	127,436
	2009/10		113,097	20		16,964	130,081
Director of Development	2010/11	3	Post replaced in 09/10.				
	2009/10		57,319	-		8,598	65,917
Director for Development & Regeneration	2010/11	3	114,637	-		17,196	131,833
	2009/10		56,086	197		8,413	64,696
Asst Dir for Adult Health & Social Care	2010/11	4	84,606	47		12,691	97,344
	2009/10		88,389	113		13,258	101,760
Asst Director Learner & Family Support	2010/11		84,606	1,131		12,691	98,428
	2009/10		84,606	949		12,691	98,246
Assistant Director for Lifelong Learning	2010/11		84,606	1,587		12,691	98,884
	2009/10		84,606	2,081		12,691	99,378
Assistant Director for Childrens Social Care	2010/11		84,606	873		12,691	98,170
	2009/10		84,607	780		12,691	98,078
Assistant Director for Environmental Services	2010/11		84,606	-		12,691	97,297
	2009/10		84,606	27		12,691	97,324
Assistant Director for ICT	2010/11		84,606	519		12,691	97,817
	2009/10		84,606	263		12,691	97,560
Assistant Director for Finance, Assets & Efficiencies	2010/11		84,606	69		12,691	97,366
	2009/10		83,364	159		12,505	96,028
Assistant Director for Commissioning, P & P	2010/11	5	Post removed in 10/11.				
	2009/10		81,393	-		12,245	93,638
Assistant Director Business Support	2010/11	6	Post removed in 10/11.				
	2009/10		80,220	82	9,120	8,671	88,904
Assistant Director for Transport	2010/11		69,696	195		10,454	80,345
	2009/10		70,393	101		10,603	81,097
Assistant Director for Culture Sport Leisure	2010/11		69,696	1,440		10,454	81,590
	2009/10		69,696	1,947		10,454	82,097
Assistant Director for Planning Services	2010/11		69,696	107		10,454	80,256
	2009/10		69,696	139		10,454	80,289
Assistant Director - Strategic Housing	2010/11	7	72,196	212		10,829	83,237
	2009/10		61,891	112		9,284	71,287

Senior Management Post	Financial Year	Notes	Salaries	Fees & Allowances	Redundancy payment	Pension Contributions	Total Remuneration
Assistant Director for Safer Communities	2010/11		57,764	621		8,665	67,050
	2009/10		57,764	814		8,716	67,294
Asst Director HR	2010/11	8	Post replaced in 09/10.				
	2009/10		54,221	168		8,026	62,270
Asst Director HR & Organisational Development	2010/11	8	84,606	-		12,691	97,297
	2009/10		19,787	-		2,968	22,755
Asst Director Economic Devlopment	2010/11	9	70,848	257		10,627	81,731
	2009/10		36,402	-		5,460	41,862
Asst Director Customer Services & Business Transformation	2010/11	10	69,746	-		10,454	80,200
	2009/10		30,164	-		4,525	34,689
Asst Director Democracy & Governance	2010/11	11	85,426	58		12,691	98,175
	2009/10		20,469	1		3,070	23,540
Total (Including Chief Executive)	**2010/11**		**1,993,601**	**12,802**	**-**	**299,516**	**2,305,918**
Total (Including Chief Executive)	2009/10		1,952,142	12,788	9,120	289,483	2,263,533

30.2. Remuneration above £50,000

The Council is required by statute to disclose the number of employees whose remuneration for the year (excluding employer pension contributions) was £50,000 or more.

The numbers below include the senior management disclosed in section 30.1.

	2009/10	2010/11
£50,000 - £54,999	83	71
£55,000 - £59,999	56	48
£60,000 - £64,999	39	41
£65,000 - £69,999	17	23
£70,000 - £74,999	8	9
£75,000 - £79,999	2	0
£80,000 - £84,999	12	10
£85,000 - £89,999	6	4
£90,000 - £94,999	0	2
£95,000 - £99,999	4	3
£100,000 - £104,999	0	1
£105,000 - £109,999	2	1
£110,000 - £114,999	1	3
£115,000 - £119,999	1	1
£120,000 - £124,999	0	0
£125,000 - £129,999	0	0
£130,000 - £134,999	1	1
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
£175,000 - £179,999	1	0
£180,000 - £184,999	0	1
Total	**233**	**219**

The table below analyses the numbers between schools based staff and non schools based staff.

	2009/10	2010/11
Schools Based Staff:		
Teaching staff	140	135
Non teaching	5	2
Sub Total	**145**	**137**
Non Schools staff	88	82
Total	**233**	**219**

31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

External Audit Costs	2009/10	2010/11
Audit Area:	**£000**	**£000**
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	319	336
Fees payable to the Audit Commission in respect of statutory inspection	48	0
Fees payable to the Grant Thornton for the certification of grant claims and returns	80	55
Fees payable in respect of other services provided by the appointed auditor.	20	0
Rebates received	0	(34)
	467	**357**

32. Government Grants

32.1.Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DFE), the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008 as amended by the Schools Finance (England) (Amendment) Regulations 2010. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Schools Budget Funded by Dedicated Schools Grant 2010/11		Schools Budget Funded by Dedicated Schools Grant 2010/11		
		Central Expenditure	**Individual Schools Budget**	**Total**
Note		**£000**	**£000**	**£000**
A	Final DSG for 2010/11			140,851
B	Carry Forward from 2009/10			(1,452)
C	Brought fwd from 2010/11 agreed in advance			415
D	Agreed budgeted distribution in 2010/11	12,046	127,768	139,814
E	Actual central expenditure	11,959		
F	Actual ISB deployed to schools		127,656	
G	Local authority contribution for 2009/10	0	0	0
H	Carry forward to 2011/12 Under/(Overspend)	87	112	(216)

Comparative Figures for 2009/10		Schools Budget Funded by Dedicated Schools Grant 2009/10		
		Central Expenditure	Individual Schools Budget	Total
Note		£000	£000	£000
A	Final DSG for 2009/10			140,166
B	Carry Forward from 2008/09			144
C	Brought fwd from 2009/10 agreed in advance			177
D	Agreed budgeted distribution in 2009/10	16,295	124,192	140,487
E	Actual central expenditure	19,270		
F	Actual ISB deployed to schools		125,071	
G	Local authority contribution for 2008/09	2,579	0	0
H	Carry forward to 2010/11 Under/(Overspend)	(396)	(879)	(1,452)

A: DSG Figure as issued by DFE on 1 July 2010, as amended in December 2010 and March 2011 for Academy recoup

B: Figure brought forward from 2009/10 as agreed with DfE

C: Amount the Council decided after consultation with the Schools Forum in March 2010 to bring forward to 2010/11 rather than distribute in 2011/12 was £0.350m, which increased by the difference actual and estimated balance brought forward from 2009/10 of £0.134m and decreased by the difference between Final and Estimated DSG of £0.069m.

D: Budgeted distribution of DSG as per Published Section 52 Budget Statement as reported to the Schools Forum in March 2010 as amended for Academy recoupment of £0.367m

E: Actual amount of central expenditure items in 2010/11

F: Amount of ISB actually distributed to schools

G: Any contribution from the local authority in 2010/11 which will have the effect of substituting for DSG in funding the Schools Budget

H: Carry forward to 2010/11 of the under spend against the published Section 251 Budget Statement as amended for Academy recoupment of £0.357m for:

- Central Expenditure, difference between budgeted distribution of DSG and actual expenditure, plus any local authority contribution (D-E+G).
- Individual Schools Budget, difference between budget and amount actually deployed to schools, plus any local authority contribution.
- Total is carry forward of Central Element plus carry forward of Individual Schools Budget minus carry forward to 2011/12 agreed in advance (row C)

32.2. Grant Income- Credited to Services

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

Government Grants Credited to Services	Restated 1 Apr 2009 £000	2010/11 £000
Mandatory Rent Allowances & Non HRA Rent Rebates	61,589	85,121
Rent Rebates granted to HRA Tenants	15,759	(152)
Council Tax Benefit Grant	19,577	21,115
Benefits Admin Grant	2,630	2,486
Housing Subsidy (HRA) - payable to the national pool	(960)	(73)
Supporting People	8,244	0
Schools Standards Grant	7,825	7,538
Education Standards Fund	15,739	18,224
Learning and Skills Council	21,212	21,057
Surestart	7,658	9,122
DSG & Other Education Grants	140,759	140,116
Mental Health	209	150
Social Care Reform	624	1,243
Other Social Services Grants	235	62
New Deal for Communities	1,315	1,453
Homelessness	411	341
Local Area Agreements - Performance Reward Grant	0	757
Local Area Agreements - Pump Priming Monies	105	11
Concessionary Fares	1,085	1,115
Diploma Specific Grant	438	730
Growth Fund	371	299
Think Family / Parent Practitioner Grants	659	903
Youth Offending Grants	532	889
Other Revenue Grants	1,005	1,623
Total Revenue Grants Received	**307,021**	**314,130**

In addition the following capital grants have been credited to services

Capital Grants and Contributions	2009/10 £000	2010/11 £000
Arts Council	0	0
Big Lottery	(332)	(256)
Culture, Media & Sport	0	(75)
DEFRA	(426)	(157)
Department for Transport	(1,956)	(9,399)
Department of Communities & Local Government	(8,141)	(5,109)
Department of Health (Social Services)	(356)	(538)
Dept for Education and skills	0	0
England Netball	0	(100)
Environment Agency	140	(407)
European Grants	0	0
Forestry Commission	(31)	(70)
Home Office	(9)	0
Home Office SSCF	(90)	(45)
National Lottery	(1,057)	(3)
New Deal for Communities	(2,825)	(408)
Other Capital Contributions	(133)	(2,318)
Other Capital Grants	0	(633)
Other Children's Services Capital Grants	545	(1,220)
South West Councils	(5)	(200)
South West Regional Development Agency	(473)	0
Standards Fund	(28,996)	(17,277)
Sure Start Childrens Grant	0	(2,940)
Section 106 - Plymouth Development Tariff	0	(40)
Section 106 - Negotiated Element	(594)	(648)
Total Grants & Contributions Received	**(44,739)**	**(41,843)**

	2009/10 £000	2010/11 £000
Adult Social Care	(453)	(455)
Cultural, Environmental, Regulatory & Planning Services	(2,359)	(828)
Central Services to the Public	(23)	(16)
Childrens And Education Services	(2,113)	(2,875)
Housing Services	(2,639)	(1,937)
Housing Revenue Account	0	
Highways & Transport Services	(20)	(50)
Corporate & Democratic Core	(42)	(28)
Non Distributable Costs	(40)	(27)
Total Recognised in the Surplus/Deficit on Continuing Operations	**(7,689)**	**(6,216)**
Financing and Investment Income and Expenditure	(3)	(2)
Total Recognised in the Surplus/Deficit on Continuing Operations	**(7,692)**	**(6,218)**
Taxation and Non-Specific Grant Income	(37,047)	(35,625)
Total Recognised in the (Surplus) or Deficit on Provision of Services	**(44,739)**	**(41,843)**

32.3. Grants held on the Balance Sheet

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The grants are carried on the Balance Sheet as a creditor in a grants receipts in advance account.

The balances at the year-end are as follows:

Revenue Grants Receipts in Advance	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Crime Reduction Grants	46	0	0
Right to be cared for	33	0	0
Youth Opportunities Fund	1	0	0
Improvement Grant	13	13	0
Contaminated Land	0	56	30
Stepping Stones to Nature	0	20	28
Worklessness Co-ordinator Grant	0	0	15
CILT	0	0	1
Childrens University	0	0	6
Connecting Classrooms	0	0	4
SW International Education Network	0	0	1
Youth Offending Teams Grant	0	0	14
Total	**93**	**76**	**99**

Capital Grants Receipts in Advance	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000
Big Lottery Play Grant	37	(146)	0
Playbuilder Grant	(17)	(406)	0
Heritage Lottery Grant	(2)	(588)	(1,356)
Aiming High Grant	0	(116)	0
Sure Start Capital Grant	0	(1,313)	0
ESC Lottery Fund / Sport England	0	(1,990)	(1,990)
S278, S38 & S228 Agreements with Developers	(286)	(286)	(286)
S106 negotiated obligations	(7,873)	(6,641)	(6,708)
S106 Tariffs	0	(16)	(174)
Other Contributions	0	(97)	(97)
Total	**(8,141)**	**(11,599)**	**(10,611)**

32.4. Section 106 Developer's Contributions and Planning Tariffs

Section 106 receipts are received from developers for planning obligations arising from new developments. The use of receipts is restricted and is usually for works associated with the development. Examples of Section 106 receipts include children's playgrounds, highway works, environmental improvements etc. The movement in these balances, with major funds (above £50,000) being separately identified, is shown below.

The Council introduced a new Planning Tariff in 2009. Planning Tariff receipts are received from developers for planning obligations arising from new developments along side Section 106 agreements. The receipts

can be distributed according to infrastructure needs as per the Local Development Framework. As there are no individual funds that exceed £25,000 the movement in these balances is shown as a single line.

Section 106 & Developer Tariffs	01-Apr-09 £000	Income 0	Revenue Financing & Other 0	Used for Capital Expenditure 0	31-Mar-10 £000	Income £000	Revenue Financing & Other £000	Used for Capital Expenditure £000	31-Mar-11 £000
Section 106									
Southway Drive	101	0	(101)	0	0	1,043	0	0	1,043
Staddiscombe (Highways)	642	0	(13)	0	629	0	0	0	629
Hillside Centre	645	0	(50)	0	595	0	(135)	(2)	459
Duke St Chapel St	574	0	(77)	(36)	461	0	(12)	2	451
Land at Frobisher Approach	465	0	(32)	0	433	0	(27)	(10)	397
Land at Recreation Road	362	0	(18)	(22)	322	0	(18)	(25)	279
Nicholls Builders Yard	22	220	(22)	0	220	0	0	0	220
Brentor Road	199	0	(26)	(21)	152	0	(0)	(12)	140
Radford Quarry	0	136	0	0	136	0	(13)	0	123
Radford Woods	121	0	0	0	121	0	0	(2)	119
Alma Road	0	111	0	0	111	0	0	0	111
Land at Belliver Reservoir	183	0	(10)	0	173	27	(70)	(19)	111
Grainery's Joinery Bilbery Street	118	0	(11)	0	107	0	1	0	108
Salt Quay House	121	0	(18)	0	103	0	1	0	104
Rowes Building Glanville Street	100	0	0	0	100	0	0	0	100
Kerr Street	28	0	(3)	0	25	74	0	0	99
Tamar Science Park - 04/02096	100	0	(5)	0	95	0	0	0	95
East Quays Boat Yard Sutton Road	106	0	(26)	0	80	0	0	0	80
Land at James Place, North Hill	76	0	0	0	76	0	0	0	76
Barbican Leisure Park - Signals	75	0	0	0	75	0	0	0	75
Cattedown Affordable Housing	75	0	0	0	75	0	0	0	75
Treverbyn House	78	0	0	(32)	46	0	0	25	71
Cattedown Road	67	0	0	0	67	0	0	0	67
Plymouth Albion Rugby Ground	62	0	0	0	62	0	0	0	62
Lidl St, St Budeaux	80	0	(9)	4	75	0	(15)	0	60
Drake Circus	30	0	0	0	30	0	44	(14)	60
Western National Bus Depot	40	0	0	0	40	0	18	0	58
Ham Drive	63	0	0	(1)	62	0	0	(4)	58
Lidl Food Store	0	52	0	0	52	0	0	0	52
Former Securicor Depot, Transit Way	0	0	0	0	0	51	0	0	51
Lidl Wolseley House	54	0	0	0	54	0	(3)	(1)	51
Ballard Centre	148	0	(74)	(12)	62	0	0	(12)	50
Seaton Barracks - Leisure Facilities	72	0	0	0	72	0	0	(23)	49
Tesco, Woolwell	58	0	(5)	(2)	51	0	0	(9)	42
Plymouth Airport Plymbridge Lane	0	85	0	0	85	0	(10)	(50)	25
Yacht Haven Quay	66	0	(6)	0	60	0	(40)	0	20
Salisbury Warehouse	77	1	0	(21)	57	0	(41)	(0)	16
Meadowcroft	73	0	(6)	(7)	60	0	0	(57)	3
Park and Ride	175	0	0	0	175	0	(149)	(26)	0
Seaton Barracks Highway Improvements	138	0	0	0	138	0	0	(138)	0
Other S106 Under £50,000	2,480	57	(776)	(443)	1,305	39	(51)	(272)	1,020
Total Section 106	**7,874**	**662**	**(1,288)**	**(593)**	**6,642**	**1,234**	**(519)**	**(650)**	**6,708**
Planning Tariffs Under £50,000	0	16	0	0	16	198	0	(40)	174
Grand total	**7,874**	**678**	**(1,288)**	**(593)**	**6,658**	**1,432**	**(519)**	**(690)**	**6,882**

33. Related Party Transactions and Partnerships

33.1. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The table below outlines transactions between the Council and its subsidiaries, associates, jointly controlled and other assisted organisations where the influence is considered to be material, either to the Council or to the organisation.

Related Party Transactions	2009/10		2010/11	
	Receipts	**Payments**	**Receipts**	**Payments**
Subsidiary, Associated and Jointly Controlled organisations	**£000**	**£000**	**£000**	**£000**
Plymouth Citybus Ltd	(17)	3,791		
Plymouth Investment Partnerships Ltd (PIP)	(56)	0	(31)	
Tamar Bridge & Torpoint Ferry Joint Committee	(25)	0	(21)	
Tamar Science Park Ltd	(52)	30		25
Theatre Royal (Plymouth) Ltd	(3)	2,593	(1)	2,640
The PLUSS Organisation Ltd	(101)	2,525	(44)	930
Assisted Organisations				
Call 24 Hour Ltd	(38)	0	(3)	94
Careers South West	0	2,497	(13)	2,221
Destination Plymouth	0	0	0	77
Devon Audit Partnership	(40)	660	(25)	670
Mayflower no 2 Trust	(30)	8	(29)	8
Millfields CEDT	(86)	112	(86)	110
Mount Batten Sailing and Water Sports Centre	(71)	57	(41)	151
Plymouth Citizens Advice Bureaux	0	354	0	218
Plymouth City Centre Company	(108)	0	(141)	1
Plymouth City Development Company Ltd	(75)	350	0	1
Plymouth Waterfront Partnership	0	0	0	79
Routeways Board	0	357	(2)	611
Shekinah Mission	0	205	(3)	276
Wolseley CEDT	(323)	352	(208)	233
Totals	**(1,025)**	**13,891**	**(648)**	**8,345**

<u>Central Government</u>
Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of transactions with Government Departments are set out in note 32 pages 136 to 109

<u>Members and Officers</u>
Members of the Council have direct control over the Council's financial and operating policies. Members and Officers of the Council have returned 76 declarations of Related Party Transactions for 2010/11, a response rate of 95%. Where returns have not been submitted, the Register of Members'

Interest has been checked for declarations. Travelling, subsistence, relocation and Members' allowances were discounted entirely in the assessment of related party transactions. There was 1 return containing itemised transactions considered to be related transactions. The relevant Member did not take part in any discussion or decision relating to these transactions, details of which are recorded in the Register of Members' Interest, which is open to public inspection.

33.2. Accountable Body Schemes

New Deal for Communities (NDC)

The Council is the Accountable Body for the New Deal for Communities (NDC) Grant. The NDC projects are delivered and managed through the Devonport Regeneration Community Partnership Board (DRCP) which is required to produce an annual delivery plan, which must be agreed by the Department for Communities and Local Government (DCLG). The funding to meet the expenditure plans is paid over to the City Council which then reimburses the expenditure incurred by projects.

The final grant allocation for 2010/11 was £3.643m and this amount was fully spent.

The Council currently holds a sum of £1.172m in a revenue reserve relating to agreements with DRCP to fund LA spend from NDC grant on the understanding that the City Council would meet DRCP spend to an equivalent amount by 2011/12.

The Council only recognises grant awarded for Council projects within its Accounts. The total NDC grant included within the Council's Accounts for 2010/11 is £1.443m (£4.264m in 2009/10). Details of the projects supported will be included with the published Statement of Accounts following completion of the final Statement of Grant Expenditure (SOGE) return.

Surestart

The Council also acts as the Accountable Body for Surestart funding.

The total Surestart revenue grant for the year of £9.093m has been spent in full.

Surestart capital grant for the year was £1.880m. In addition a sum of £0.187m was brought forward from 2009/10 bringing the total grant available to £2.067m, all of which was spent during 2010/11.

Homelessness Initiatives

During 2010/11 the Council received £1.000m of central government funding in relation to various regional homelessness initiatives for which it is acting as the accountable body. These projects are being delivered in partnership with Devon County Council, Exeter City Council and an external Housing Association and the funds will be spent during 2011/12.

33.3. Interest in Companies

The Council maintains involvement with a number of subsidiary and associated companies and joint ventures. Where the Council has a significant controlling influence in these companies and the transactions are material, they are consolidated within the Council's Group Financial Statements. Details of the Council's transactions with these companies during the year are outlined in section 33.1 above.

The figures included within the Group accounts are based on unaudited accounts. A summary of the accounts for each company will be made available on the Councils website alongside the Council's published accounts at the end of September 2011.

The companies consolidated in the Group Accounts are:

Plymouth Investment Partnership Limited – Subsidiary

Tamar Bridge and Torpoint Ferry Joint Committees – Joint Venture
Theatre Royal (Plymouth) Limited (part year) discontinued operation

PLUSS Organisation Limited – Associated Company

Tamar Science Park Limited – Joint Venture

Other interests

The following companies are also subsidiaries, associates or joint ventures of Plymouth City Council. However they are not considered material in financial terms and they are not consolidated within the Group Accounts, although transactions are disclosed within the related parties note.

Careers South West	Simple Investment
Mayflower (No.2) Trust	Subsidiary
Mount Batten Sailing and Water Sports Centre + Mount Batten Park Ltd	Associate
Plymouth Centre for Faiths and Cultural Diversity Ltd	Associate
Plymouth City Centre Company	Simple Investment
South West Public Transport Information	Simple Investment

34. Leases

34.1. Authority as a lessee – finance leases

The Council has acquired some buildings as well as vehicles and equipment under leases. As part of the move to IFRS, all the Council's leases have been examined and, based on conditions in existence as at 1 April 2009, a number of leases previously treated as operating leases have been reclassified as finance leases.

The buildings acquired under finance lease are carried in the Balance Sheet as Investment Property and the other assets are carried as Property, Plant and Equipment at the following net amounts:

	Restated 1 Apr 2009 £000	Restated 31 Mar 201 £000	31 Mar 2011 £000
Other Land and Buildings	1,904	1,904	1,904
Vehicles, Plant, Furniture and Equipment	2,568	2,725	2,448
	4,473	**4,629**	**4,352**

The Authority is committed to making minimum payments under these leases comprising both settlement of the long - term liability for the interest in the assets acquired by the Authority together with the finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	1 Apr 2009 £000	31 Mar 2010 £000	31 Mar 2011 £000
Finance lease liabilities (net present value of minimum lease payments):			
current	545	651	504
non current	3,328	3,148	2,759
Finance costs payable in future years	4,598	4,365	4,151
Minimum lease payments	**8,471**	**8,164**	**7,414**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	Restated 1 Apr 2009 £000	Restated 31 Mar 2010 £000	31 Mar 2011 £000	Restated 1 Apr 2009 £000	31 Mar 2010 £000	31 Mar 2011 £000
Not later than one year	818	905	733	545	651	504
Later than one year and not later than five years	2,356	2,139	1,737	1,571	1,431	1,083
Later than five years	5,298	5,120	4,944	1,757	1,717	1,676
Total	**8,471**	**8,164**	**7,414**	**3,873**	**3,799**	**3,263**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Authority has sub-let some of the accommodation held under these finance leases. At 31 March 2011 the minimum payments expected to received under non-cancellable sub-leases was £2.472m (31 March 2010 – £2.801m)

34.2. Authority as a lessee – operating leases

The Council leases vehicles, equipment and some buildings under operating lease for its operational purposes. The future minimum lease payments due in future years under non-cancellable leases are;

Operating leases - Authority as a lessee	31 Mar 2010 £000	31 Mar 2011 £000
Not later than one year	1,858	760
Later than one year and not later than five years	3,849	1,138
Later than five years	4,062	4,250
Total	9,769	6,148

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these assets was:

	2009/10 £000	2010/11 £000
Minimum lease payments	2,526	1,619
Total	**2,526**	**1,619**

34.3. Authority as a lessor – operating leases

The Council is a lessor of a number of properties, including city centre shops and several retail and industrial units. The future minimum lease payments receivable under non-cancellable leases are;

Operating Leases	31 Mar 2010 £000	31 Mar 2011 £000
Not later than one year	3,780	2,288
Later than one year and not later than five years	11,784	7,872
Later than five years	158,672	110,471
Total	**174,236**	**120,630**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

35. Private Finance Initiatives and Similar Contracts

The Council entered a PFI agreement with Pyramid Consortium on 27 February 2007 to provide new school facilities at Whitleigh and the amalgamation of primaries at Bull Point and Barne Barton. Payments under the contract became effective in February 2008 when the first of the schools, the new primary school at Riverside, was opened. The Whitleigh school campus, Woodview, opened in phases during 2008/09 with the final phase, and thus full campus, being opened in March 2009. The contract runs for a 25 year period. The contract specifies the minimum standards for the services to be provided by the contractor, with deductions from the fee payable if the facilities are unavailable or performance is below minimum standards. The contractor took on an obligation to build the schools and maintain them in a minimum acceptable condition and to procure and maintain the equipment needed to operate the school. The buildings and any equipment installed within them will be transferred to the Council for nil consideration at the end of the contract.

The assets constructed within the contract are:

- Riverside Primary School
- Schools at Woodview campus
- Tamerton Foliot Road

These assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance note 12 page 87

The Authority makes an agreed payment each year, part of which is subject to an annual inflation increase, and can be reduced if the contractor fails to meet availability and performance standards in any one year but which is otherwise fixed. A total payment of £6.035m was made in 2010/11. Payments remaining to be made under the PFI contract at 31 March 2011, excluding any estimation of inflation and availability/performance deductions are as follows:

PFI Outstanding Liabilities	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Total Payments to Operator in 2010/11	1,797	1,403	2,835	6,035
Payable in 2011/12	1,538	737	2,773	5,048
Payable within two to five years	14,697	3,241	2,773	20,711
Payable within six to ten years	11,847	4,885	10,421	27,153
Payable within eleven to fifteen years	13,695	3,732	11,302	28,729
Payable within sixteen to twenty years	12,016	9,610	8,887	30,513
Payable within twenty one to twenty five years	3,412	6,548	5,542	15,502
Total	**57,205**	**28,753**	**41,698**	**127,656**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable, whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

Movement in PFI Liability	2009/10	2010/11
	£000	£000
Balance outstanding 1 April	36,303	33,156
Payments during the year	(547)	(703)
Capital Contribution	(2,600)	(700)
Balance Outstanding 31 March	**33,156**	**31,753**

The Council has secured PFI credits to the value of £49m, to which interest is added resulting in total Government support of £101.888m over the contract period, and this together with an annual contribution from the Council of approximately £0.600m will be used to meet the running costs of the contract, including the loan repayments.

The PFI credits will be paid to the Council at a rate of £3.982m per annum. Spend to be incurred during the contract will vary from year to year as lifecycle works are undertaken. No lifecycle works were carried out in 2010/11. The Council transfers any surplus resources for the PFI scheme to a PFI reserve to match commitments that will be incurred in later years.

36. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 including school based staff, incurring liabilities of £0.950m (£3.124m in 2009/10). This includes a sum o £0.215m to the pension fund in respect of pension strain payments.

Analysis of termination benefits	2009/10	2010/11
	£000	£000
Schools	1,107	429
Other	2,017	521
Total	**3,124**	**950**

The Council's expenditure on Schools is primarily funded by the Dedicated Schools Grant provided by the Department for Children, Schools and Families.

Reasons for termination varied from early retirement, voluntary and compulsory redundancies.

In the case of compulsory redundancies the Council's Redundancy Avoidance Policy provides the possibility of redeployment to other jobs suited to the experience and abilities of the staff concerned in case of compulsory redundancies.

The above total for 2010/11 includes £0.178m provision for liabilities relating to employees who have received a redundancy notice but who have not left the authority by 31 March 2011.

37. Pensions

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

37.1. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers Pension Scheme

Teachers employed by the Authority are members of the Teachers' Pension scheme administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the cost by making contributions based on a percentage of members pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, Plymouth City Council paid £11.087m to Teachers' Pensions in respect of teachers' retirement benefits, representing 15.74% of pensionable pay. The figures for 2009/10 were £11.321m and 15.69%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 37.2 below.

37.2. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

Local Government Pension Scheme (LGPS)

Plymouth City Council participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit scheme based on final pensionable salary.

Transactions relating to post employment benefits

In 2010/11 the Council paid an employer's contribution of £19.506m (2009/10: £21.703m), representing 19.4% of employees' pensionable pay into Devon County Council's Pension Fund, which provides members with defined benefits, related to pay and service. Employees are also required to contribute to the pension scheme and the contribution rate is determined by annual salary level. In 2010/11 the minimum contribution level was 5.5% of salary, and the maximum level was 7.5%.

The Council recognises the cost of retirement benefits in the surplus/deficit on continuing services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2009/10 £000	2010/11 £000
Cost of Services		
Current Service Cost	15,999	23,739
Past Service Gain	0	(70,177)
Settlements and Curtailments	872	(21,793)
Financing and Investment Income and Expenditure		
Interest Cost	43,037	41,169
Expected Return on Assets in Scheme	(17,381)	(26,595)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**42,527**	**(53,657)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains & losses	(101,204)	151,908
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(58,677)**	**98,251**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	20,122	(77,200)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable in scheme	22,885	19,671
Retirement benefits payable to pensioners	3,348	3,249
Adjustment re net increase / decrease pre LGR pension liability	(3,828)	623
Total	**42,527**	**53,657**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £17.967m.

The Council is responsible for funding all discretionary increases in pensions (e.g. added years) awarded to staff retiring early and monthly payments are made to Devon County Council for these additional costs. Payments in 2010/11 relating to these costs were £1.386m (2009/10: £1.228m).

Plymouth became a Unitary Authority from 1 April 1998, assuming responsibility for all local government services in Plymouth, including those previously provided by Devon County Council. Under the transfer arrangements, Plymouth and Torbay pay a proportion of Devon's annual pension costs in respect of discretionary pension payments agreed by Devon in earlier years (i.e. before reorganisation). Plymouth's payment to Devon in 2010/11 towards this liability was £1.316m (2009/10: £1.353m).

37.3. Changes to the LGPS

The Government has announced that it plans to increase future pensions in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). The standard approach is to account for this as a as a "past service gain" as it is assumed that the CPI will increase at a slower rate than the RPI (and so pension increases and therefore the IAS19 liabilities will be lower). The past service gain for PCC is £70.177m as shown in the Comprehensive Income and Expenditure above. In addition a past completion valuation in respect of staff transferred to PCH has resulted in an additional gain of £15.846m

37.4. Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2009/10	2010/11
	£000	£000
Opening balance at 1st April	(651,400)	(832,590)
Current Service Cost	(15,999)	(23,739)
Interest Cost	(43,037)	(41,169)
Contributions by scheme participants	(7,291)	(6,644)
Actuarial gains / (losses) on liabilities	(186,988)	131,477
Benefits paid	19,935	20,027
Past Service Cost / Gain	0	70,177
Entity combinations		
Curtailments	(1,713)	(257)
Settlements	51,908	5,915
Unfunded pension payments	1,995	1,933
Closing present value of liabilities	**(832,590)**	**(674,870)**

Reconciliation of fair value of the scheme (plan) assets:

Reconciliation of fair value of the scheme (plan) assets	2009/10	2010/11
	£000	£000
Opening balance at 1st April	320,870	384,870
Expected rate of return	17,381	26,595
Actuarial gains & losses	87,445	18,770
Employer contributions	22,885	19,671
Contributions by scheme participants	7,291	6,644
Benefits paid	(19,935)	(20,027)
Entity combinations		
Settlements	(51,067)	16,135
Closing balance at 31 March	**384,870**	**452,658**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £18.770m (2009/10: £87.45m).

37.5. Scheme History

Scheme History	31 Mar 2007 £m	31 Mar 2008 £m	31 Mar 2009 £m	31 Mar 2010 £m	31 Mar 2011 £m
Present value of liabilities:					
Local Government Pension Scheme	(593.05)	(560.69)	(614.71)	(797.11)	(641.47)
Discretionary Benefits	(31.79)	(31.88)	(36.69)	(37.14)	(33.40)
Fair Value of Assets in the Local Government Pesnion Scheme	383.76	395.21	320.87	384.87	452.66
Local Government Pension Scheme					
Discretionary Benefits					
Net pension asset / (liability)	**(241.08)**	**(197.36)**	**(330.53)**	**(449.38)**	**(222.21)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £222.212m is shown as a negative balance and therefore has an impact on the net worth of the authority as recorded in the Balance Sheet. However the negative balance that arises measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £17.786m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £0.165m.

37.6. Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Wadingham, an independent firm of actuaries, estimates for the City Council's share of the Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

Long-term expected rate of return on assets in the scheme:	2009/10	2010/11
	%	%
Equitiy investments	7.5	7.4
Gilts	4.5	4.4
Other Bonds	5.5	5.5
Property	6.5	5.4
Cash	3.0	3.0
Absolute Return Funds	n/a	5.0
Mortality assumptions@		
Longevity at 65 for current pensioners		
Men	23.1	20.3
Women	25.0	24.4
Longevity at 65 for future pensioners		
Men	25.4	22.4
Women	27.3	26.3
Rate of inflation	3.9	3.5
Rate of increase in salaries	5.4	5.0
Rate of increase in pensions	3.9	2.7
Rate for discounting scheme liabilities	5.5	5.5
Take-up of option to convert annual pension into retirement lump sum	75%	75%

37.7. Total Assets

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Categories by proportion of the total assets held	1 Apr 2009	31 Mar 2010	31 Mar 2011
	%	%	%
Equities	52	69	70
Gilts	22	17	17
Other Bonds	1	-	0
Property	8	6	5
Cash	17	7	7
Absolute Return Funds	0	1	1

37.8. History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/2011 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

Actuarial Gains	2006/07		2007/08		2008/09		(restated) 2009/10		2010/11	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	3.53	0.90	(30.03)	(7.60)	(108.08)	(33.68)	87.45	22.72	18.77	4.30
Experience gains and losses on liabilities	(1.10)	(0.20)	(5.27)	(0.90)	(2.78)	(0.40)	(4.92)	(0.60)	(11.67)	(1.70)
Total	**2.43**	**0.70**	**(35.30)**	**(8.50)**	**(110.86)**	**(34.08)**	**82.53**	**22.12**	**7.10**	**2.60**

The Council is required to show the gains or losses relating to the Pension Fund within its accounts. The actuarial assumptions used to calculate the reserve account balance are outlined in note 23.7. Liability values do not depend on market returns but yields from corporate bonds and inflation expectations. The key parameter is the real corporate bond yield ie the yield from corporate bonds less the assumption about future inflation.

38. Contingent Liabilities / Assets

38.1. Contingent Liabilities

A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or a present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation or the amount cannot be measured with sufficient reliability. The Council has the following contingent liabilities to report.

1. Municipal Mutual Insurance Ltd – Scheme of Arrangement

In 1992 Municipal Mutual Insurance Ltd. (MMI), which the City Council and many other local authorities had insured with, experienced trading difficulties. The Company's creditors agreed a "Scheme of Arrangement" which allowed the Company to work towards a 'solvent run-off' (of the company) until all outstanding claims were settled. Under the arrangement, after all claims are settled, the Company will be wound up and any assets distributed to the creditors.

If the Company becomes insolvent, there is a claw back arrangement where the creditors are required to pay a proportion of the claims paid. These claims totalled £1.292m as at 31 March 2011. At this stage, the Directors of MMI continue to foresee a solvent run-off with full payment of agreed claims.

2. PLUSS Organisation Ltd

PLUSS was set up as a company on 1 August 2005.

The three originating Councils, Plymouth, Torbay and Devon are technically 'members' of the company and agreed to provide a range of support to the company. Each agreed to provide a loan to PLUSS to provide working capital for the Company on its formation. Plymouth provided £0.235m. The loan was to be deferred for the first five years and would fall due to be repaid over the following ten years, commencing 31 March 2011. The commencement of the repayment of the loan has been delayed.

Additionally Plymouth along with Devon, Torbay and Somerset provide PLUSS with a guarantee on their bank overdraft of £0.250m with Barclays plc.

The Council has also guaranteed any necessary payments to the pension fund for transferred employees, which would become due in the event of PLUSS becoming insolvent. The liabilities in respect of redundancies and pension guarantees has been assessed by the actuary as £100,000 in total shared between the 4 authorities This risk will reduce over time.

3. Single Status Equal Pay Claims

The Council has received a number of equal pay claims. The claims are yet to be heard in court, so the actual value of claims cannot be assessed with any certainty. In addition, future claims are unknown. A provision has been set up in the accounts based on an estimated value for claims received up to 31 March 2008 funded from the approved Capitalisation Direction for 2007/08. An additional provision has been set up for claims submitted after 1 April 2008. The additional provision has not been funded but reversed out of the accounts using a statutory override issued in 2009/10. The Council is not required to make specific budget provision for these costs until they are actually paid. A sum of £0.350m was set aside in the accounts during 2009/10 to meet claims arising since 1 April 2008. Case law is still evolving in this area and successful claims at other authorities have highlighted that awards can be significant and have a significant impact on Councils' budgets. The Council has not yet been informed of any hearing dates from the Employment Tribunal.

4. Civic Centre

On 21 June 2007 the City Council was informed that the Civic Centre had been Grade II listed and since that time Council Officers have been working on solutions to determine the future for the building and site. Expressions of interest from developers have now been received and a number of development options are being considered in the context of the Council's overall Accommodation Strategy and current property market conditions.

If the property is not sold then the Council will consider alternative options for the property. The future of the building therefore still remains subject to uncertainty and as such the Council continues to include the Civic Centre on its strategic risk register.

As on-going work the Council continues to inspect, repair and maintain the premises taking appropriate action, given the restrictions of the listing, to mitigate any health and safety risks. The Council has an accommodation reserve account which will be used to meet the escalating costs of maintenance and repair in the short term.

5. Careers South West (formally Connexions)

On 31 March 2009 the Council formally entered an agreement with Cornwall Council, Devon County Council and Torbay Council to set up a local authority controlled company to run the Devon and Cornwall Connexions service from 1 April 2008. Plymouth is the lead commissioner for the service and the Company is expected to operate within the financial constraints set by the four authorities.

However, in setting up the company there is an expectation that the Councils will guarantee to meet the costs of any risks resulting from pension liabilities of staff should the company be wound up. Based on the latest actuarial returns there is a small deficit on the fund at 31 March 2011, and therefore there could be a liability to the Council in the future, although the deficit has decreased during the year. The status of the fund will vary from year to year and will be updated by the Actuary.

6. Plymouth Community Homes

As part of the stock transfer negotiations the Council was required to provide a number of warranties to the funders of Plymouth Community Homes. These include:

- an environmental warranty whereby the Council has agreed to warrant that no dangerous substance is present in the property that has transferred or that no part of the Property has been or could lawfully be designated as contaminated land;

- an asbestos warranty where the Council has agreed to reimburse Plymouth Community Homes the costs of asbestos containment or removal should the cost of such works exceed £10m in the first 12.5 years.

In addition the Council has provided a Pension guarantee whereby the Council has agreed to protect the Pensions Administering Authority against the insolvency, winding up or liquidation of Plymouth Community Homes Ltd.

7. Contaminated Land

The Council has a statutory duty to review all land within its district including land it owns or occupies to identify whether it may have been contaminated by past use and carry out a risk assessment if previous potentially contaminative land use is identified. Initial risk assessment usually involves an initial theoretical data gathering exercise (involving collection and interpretation of historical/environmental/local data). Following this exercise, and subsequent intrusive investigation, if actual unacceptable risk to humans and or the environment is demonstrated, land may be classified as contaminated and remediation required.
The Council is also responsible for clean up/remediation of any land that it owns/occupies or where it may be the original polluter. The Council may also be called upon to fund clean up/remediation of 'orphan' sites whose owners cannot be traced and/or where the original polluter cannot be found. Potential cost might further arise where land is sold for development and contamination is subsequently discovered during development or other site works.

Risk assessment alone can cost many thousands of pounds depending on site size and historic use profile. There is no specific Council budget provision for these works and a national government funding source that has been successfully accessed in the past may not be available in the near future. There is also no specific Council budget provision for site clean up/remediation, despite this being a statutory requirement under certain circumstances.

The Council has undertaken a programme of investigative works during 2010/11 and is planning further work in 2011/12. This will help inform the size of the potential liability.

In addition to the above ongoing action, the Council is currently working in partnership with the Environment Agency to research the possibility of landfill gas capture on some of its top 'priority' sites. There is some potential for gas capture to be combined with remediation works and the possibility of external funding being accessed.

In the meantime the Council will continue to take the necessary steps to ensure that risk is managed appropriately through any land sale contract but should the purchaser be unable to meet any future liabilities that arise the cost may still revert to the Council.

8. Treasury Management – Potential Investment Losses

No treasury management activity is without risk. The successful identification, monitoring and control of risk are important and integral elements of the Council's treasury management activities. The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its approved investment criteria and will monitor and update the credit standing of the institutions on a regular basis.

The Council has residual investments with institutions no longer on the approved counter party list, although these have reduced significantly over the year. Council Officers will continue to manage risk out by the most appropriate methods in conjunction with our Treasury Advisors.

In respect of the £13m invested in Icelandic banks, the Council made an impairment adjustment of £5.9m in its 2009/10 accounts. This has not been amended for 2010/11. The actual amount that may be recovered remains subject to much uncertainty and the final outcome on the Icelandic banks will not be known for some years to come as decisions are now subject to mitigation through the Icelandic Courts. However the Council continues to robustly pursue recovery of its monies.

9. Eastern Corridor Integrated Transport Scheme

The Council is facing a potential claim from Amey (Local Government) Ltd under the Highway Services Contract over delays incurred on the Gydinia Way Construction Works. Amey have claimed that the delays have arisen due to the incorrect design of some elements of the works due to inaccurate surveys supplied by the Council.

Amey are claiming that the costs arising from the alleged inaccurate survey are the liability of the Council under the terms of the Highway Services Contract. The Council is arguing that Amey has not yet proved the survey was inaccurate, and, that Amey is out of time under the contractual provisions for making the claim.

If the Council is found liable for the survey works it would seek to recover any sums it has to pay to Amey from the Consultant employed to carry out the work.

The Council is in correspondence with Amey over the out of time contractual argument and Amey's response to the contractual arguments raised is awaited.

10. Green Waste Site, Chelson Meadow

This concerns a claim for possession of a new tenancy of a site at Chelson Meadow, occupied for the purposes of treating and disposing of green waste and an application for an injunction by the tenant to secure repossession of the site, following eviction and securing of the site by the Council.

At a hearing in February 2011, the Court decided that the application for a new tenancy be refused. Officers from legal services are consulting with Counsel over the recovery of legal costs that have been ordered by the Court to be awarded.

The applicant has indicated they will appeal this decision and therefore there remains the risk of substantial further costs being incurred if redesign works are necessary in the event of the appeal being successful and the Council will be unable to recover its costs.

The treatment and disposal of green waste by the tenant was carried out pursuant to a related contract between the parties. A dispute has arisen over who is liable under the contract for the removal of stockpiled waste material which has accrued on the site. This issue is the subject of negotiations between the parties. Should the matter not be settled and become the subject of court proceedings and liability ultimately rest with the Council, this would have revenue cost implications, although these have yet to be assessed.

11. Redundancy Payments

As part of the budget proposals for 2011/12, the Council has entered into negotiations with the Trade Unions over planned changes to employee terms and conditions, including proposals to reduce staffing numbers by up to 500, of which 250 were estimated to result in redundancy. At 31 March 2011, 39 employees had been issued with a redundancy notice and had been placed within the redeployment pool. These relate to the reprovision of Social Care facilities and restructuring within Children's Services. The Council has recognised a provision for termination benefits of £0.127m, plus pension strain costs of £0.050m in the accounts for 2010/12. Expressions of interest for voluntary release have been invited by the Council and applications are currently being assessed. The closure date is 30 June 2011. Until this time, it is not possible to state how many further redundancies will be required to meet the staffing reductions, although a target reduction in the budget of £1.6m from terms and conditions, including redundancy and voluntary release, is expected to be achieved over the next three years.

38.2. Contingent Assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control. The Council has the following contingent assets to report:

1. VAT – 'Fleming' claims

Prior to 1 April 2006, under UK VAT law, claims for overpaid VAT had to be made within three years of the end of the relevant VAT accounting period. A number of cases were brought before the UK Courts challenging the validity of the three year cap, particularly the lack of any transitional period at the time of clarification of VAT treatment in areas such as excess parking charges and library charges. The decision of the House of Lords in the two cases of Michael Fleming (t/a Bodycraft) v HMRC and Conde Nast Publications Ltd v HMRC held that the three year cap should be disapplied as no adequate transitional relief period was given at the time that the legislation was introduced. HM Revenue & Customs ('HMRC') gave taxpayers until 31 March 2009 to make claims.

The Council, in common with many other local authorities, submitted a number of claims in respect of overpaid VAT in areas where HMRC has clarified the VAT liability of an activity as being a non-business or exempt supply (not subject to VAT), rather than a taxable supply as it had been previously treated. Claims were initially settled in 2009/10 with a further claim settled during 2010/11. The Council still has 1 claim outstanding at an estimated value of £1.7m. This has been rejected by HMRC, but our advisors are considering further arguments to put forward in support of the Council's claim.

2. Overpaid Landfill Tax

A claim was submitted in March 2011 to HMRC for the reclaim of overpaid Landfill Tax covering the period between January 2007 and March 2008 at Chelson Meadow where it has been established that Landfill had been used for engineering purposes and is therefore exempt from landfill tax.

39. Trust Funds and Special Balances

The City Council holds 49 Trust Funds and administers 4 other special balances. The funds do not represent assets of the City Council. Although most of the accounting records of these funds are held within the City Council's financial accounting system, they do not form any part of the Council's Balance Sheet. Details of each of the funds are included below:

Trust Funds	Ref	**Income**	**Expenditure**	**Assets**
		£000	**£000**	**£000**
Brock Trust	A	16	0	620
Emma Stirling Bequest	B	0	2	0
HB Smith Trust Fund	C	1	1	33
Plymouth Royal Navy and Military Free Schools Patriotic Fund Endowment	D	0	0	18
Plymouth Royal Navy and Military Schools Endowment	E	0	0	20
National Trust Plymbridge Woods	F	0	0	0
Various Other Trusts		6	3	112
Other Special Balances				
Lord Mayors Special Fund (current)	G	6	12	45
Various Other Special Balances		0	0	0
Total		**29**	**18**	**848**

A. Brock Trust
Brock Trust contributed to the construction and running costs of Brock House sheltered housing scheme. Brock House has transferred to PCH under stock transfer arrangements but the Council has retained its role as trustee of Brock Trust as well as retaining exclusive nomination rights into the 8 units leased to the Brock Trust.

B. Emma Stirling Bequest
This fund was established in 1990 to ensure the comfort of the residents of the Stirling Residential Home.

C. HB Smith Trust Fund
This fund was founded in 1952 to provide annual awards to support students proceeding to university to read Arts or Social Services.

D. Plymouth Royal Navy and Military Free Schools Patriotic Fund Endowment
This fund was established for the scholarship provision for higher education for the children of HM Forces personnel or the children of pensioned deceased members.

E. Plymouth Royal Navy and Military Schools Endowment
This Fund was established for the provision of maintenance allowances for higher education and apprenticeships for the children of seamen and mariners or pensioned/retired soldiers.

F. National Trust Plymbridge Woods
This fund was established in 1988 for the purpose of managing the woods.

G. The Lord Mayors Special Fund (Current Account)
The funds are held for general charitable purposes within the City of Plymouth.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

This account shows in more detail the income and expenditure on HRA Services included in the Comprehensive Income and Expenditure Statement. The Council transferred its Council stock on 20 November 2009 and the costs incurred in 2010/11 represent residual costs only. The account was formally closed on the 31 March 2011.

2009/10		Note	2010/11
£000	EXPENDITURE		£000
10,137	Repairs & Maintenance	6	39
10,179	Supervision and Management	7	(904)
959	Negative HRA Subsidy Payable	8	73
543	Transfer to GF re Rent Rebates		0
9,137	Depreciation & Impairment (Dwellings)		0
956	Depreciation & Impairment (Other Assets)	9	27
23	Debt Management Expenses		
179	Movement in the allowance for Bad Debts	11	12
32,113	**Total Expenditure**		**(753)**
	INCOME		
(26,447)	Rents - Dwellings		5
(1,236)	Rents - Non Dwellings	12	(34)
(1,647)	Charges for Services & Facilities		1
(809)	Sums directed by the Secretary of State that are income in accordance with proper practices		0
(30,139)	**Total Income**		**(28)**
1,974	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account		**(781)**
128	HRA Services Share of Corp & Democratic Core		0
2,102	Net Cost /(Income) for HRA Services		**(781)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
457,851	(Gain) or Loss on Sale of HRA Fixed Assets	10	250
(63)	Other income	13	(52)
1,908	Interest Payable and Similar Charges	14	159
(430)	Interest & Investment Income		(23)
(162)	Capital grants and contributions receivable		0
461,206	**Surplus / Deficit for year on HRA Services**		**(447)**

MOVEMENT ON THE HRA

This reconciliation statement summarises the difference between the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989

2009/10 £000		Note	2010/11 £000
(2,042)	Balance on the HRA at the end of the previous year		(1,792)
461,206	Surplus / Deficit for year on the Housing Revenue Account Income and Expenditure Statement		(447)
(460,956)	Adjustments between accounting basis and funding under statute:	3	(228)
250	Net (Increase)/decrease before transfers to or from reserves		(675)
0	Transfers to or (from) Reserves	4	2,467
250	(Increase) or decrease in year on the HRA		1,792
(1,792)	**Balance on the HRA at the end of the Current year**		**0**

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Status of the Housing Revenue Account (HRA)

The Council completed the transfer of its Council Housing Stock to Plymouth Community Homes (PCH) on 20 November 2009. However, approval to close the HRA could only be sought once the final subsidy claim for 2009/10 had been certified as correct by the External Auditor and no issues remain outstanding. The outstanding Item 8 and Subsidy Determinations for 2009/10 have now been received and final entries made to the account, resulting in some prior year adjustments in 2010/11. Following transfer, some HRA land and property, mainly commercial rented property, was retained by the Council. Approval to appropriate (transfer) these assets to the General Fund was given by Cabinet at its meeting on 16 November 2010.

The Auditor certified the subsidy claim for 2009/10 on 23 December 2010 and all outstanding monies due to the Department for Communities and Local Government (CLG) relating to current and prior years were paid in February 2011. Approval to close the HRA with effect 31 March 2011 has now been granted by the Secretary of State. The residual HRA Working Balance after allowing for costs incurred in 2010/11 transferred to the General Fund as at that date.

The costs reflected in the Income and Expenditure Statement for the year 2010/11 therefore relate to:

- prior year adjustments re Subsidy and Item 8 interest charges;
- adjustments to HRA assets reflecting the appropriation to General Fund and assets transferred to PCH but not written out in 2009/10;
- residual costs incurred during the year for utilities, business rates, Council tax and contract retentions
- final adjustments for outstanding arrears on transferred properties;
- part year rental income from former HRA commercial rented properties;
- statutory depreciation charge for retained commercial properties prior to appropriation to General Fund;
- An adjustment to HRA provisions and reserves for ex gratia gas servicing refunds;
- Adjustments to provisions for bad debts and insurance liabilities.

Further detail is shown in the relevant notes. As the HRA Statement reflects residual costs only comparative figures have not been included in the notes, although the notes continue to show movement in the year where appropriate.

The HRA is required to be presented on an IFRS basis and 2009/10 figures have been restated accordingly in the main statements.

2. Transitional Arrangements – Move to IFRS Accounting

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The changes affecting the HRA are:

<u>Government Grants</u>

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously grants were held in a grants deferred account and recognised as income over the life of the assets they were used to fund. The following changes have been made to the comparative figures in the HRA Income and Expenditure Statement and notes where appropriate:

- Portions of government grant deferred recognised as income in 2009/10 have been removed.
- Grants and contributions received in 2009/10 have been recognised in full.

Non- Current Assets- Investment Property

To be considered an investment property, the property must be held solely to earn rentals or for capital appreciation or both. This is a much narrower definition than that applied under the previous Statement of Recommended Practice (SORP) and as a result a number of the Council's leasehold properties have been reclassified as operational assets and fall within property plant and equipment and are held at fair value and depreciated over the useful life of the asset. Properties previously held as an investment property would have been subject to revaluation but would not have attracted a depreciation charge. The reclassification has therefore led to an increase in the annual depreciation charge in the comparative figures in the HRA Income and Expenditure Statement.

Under IFRS, income from investment properties is reflected in other operating expenditure as financing and investment income. Previously this would have been credited to the relevant service line as service income.

The figures restated as a result of these changes can be summarised in the following table:

HRA Income and Expenditure Statement

EXPENDITURE	2009/10 Original - (SORP) £000	Grants £000	PPE Depreciation £000	Investment Properties £000	2009/10 Restated (IFRS) £000
Supervision and Management	10,215			(36)	10,179
Depreciation & Impairment (Other Assets)	788		168		956
Amortised Grants	(1)	1			0
Rents - Non Dwellings	(1,545)			309	(1,236)
(Gain) or Loss on Sale of HRA Fixed Assets	456,962	889			457,851
Interest & Investment Income	(157)			(273)	(430)
Capital grants and contributions receivable	0	(162)			(162)

Movement on the HRA Balance

	2009/10 Original - (SORP) £000	Grants £000	PPE Depreciation £000	Investment Properties £000	2009/10 Restated (IFRS) £000
Surplus / Deficit for year on the Housing Revenue Account Income and Expenditure Statement	460,310	728	168	0	461,206
Adjustments between accounting basis and funding under statute:	(460,060)	(728)	(168)	0	(460,956)

3. Adjustments in Accounting Basis

This note provides further analysis of the adjustments between the accounting basis and funding basis under regulations that are made to the HRA Income and Expenditure Statement.

	2009/10 £000	2010/11 £000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the code and those determined in accordance with statute	506	0
Gain or loss on sale of HRA non- current assets	(457,779)	(201)
HRA share of contributions to or from the pensions reserve	257	0
Transfer to/from the Major Repairs Repairs Reserve	(3,431)	
Transfer to/from the Capital Adjustment Account	(509)	(27)
Total adjustments in Accounting basis	**(460,956)**	**(228)**

4. Movement in HRA Reserves

Following closure of the HRA, the remaining balance on the HRA Working Balance, totalling £1.460m after allowing for costs incurred during the year, has been transferred to the General Fund.

A further transfer to reserves in respect of the gas servicing ex gratia payments of £1.007m has also been made. This amount was previously held as a HRA provision. This reserve will be managed as part of the Council's overall earmarked reserves and any adjustments in future years will be made via the Statement of Movement on the General Fund

The movement on all the Council's reserves is outlined in note 23 in the main notes to the accounts.

5. Movement in HRA Provision

The table below summarises the movement on the HRA provisions in the year

HRA provision	Ref	Balance 31 Mar 2010 £000	Receipts in year £000	Payments in year £000	Unused amounts reversed in year £000	Balance 31 Mar 2011 £000
Insurance Provisions						
Housing	A	411	69	(138)		342
Other Provisions						
Rent Collection Account	B	0	171			171
HRA Gas Servicing Ex-Gratia Payments	C	1,007			(1,007)	0
Total other provisions		**1,418**	**240**	**(138)**	**(1,007)**	**513**

A. An increase of £0.037m has been made to the HRA insurance provision account to reflect outstanding claims prior to transfer still to be determined by the Council. This has been charged to the HRA management accounts. The balance on the HRA insurance provision at 31 March 2011 is £0.342m.

B. A new provision of £0.171m has been set up during the year. This reflects rents paid in advance prior to transfer and is refundable to tenants.

C. At 31 March 2010 the Council held a HRA provision of £1.007m for ex- gratia payments re gas servicing charges incorrectly levied. All refunds to tenants have been made and there has been no movement on the account in 2010/11. The balance on the provision has therefore been released back to the HRA management accounts. The Council has however set aside an equivalent amount as an earmarked reserve should further liabilities to former tenants be identified. This transfer has been made in the Statement of Movement on the HRA in accordance with statutory accounting provisions.

The movement on all the Council's provisions is outlined in note 22 in the main notes to the accounts.

6. Repairs and Maintenance

The expenditure of £0.039m on repairs relates in the main to settlement of outstanding disrepair claims and contract retention payments relating to the period prior to transfer. Retention payments are generally held back for a period of 1 year and are payable subject to satisfactory completion and reinstatement of any contract defects.

7. Supervision and Management

The supervision and management costs incurred during the year reflect outstanding utility bill adjustments to prior year charges for transferred properties and settlement of outstanding Council tax and business rates liabilities relating to pre transfer.

Movements on the HRA provision accounts as outlined in note 4 above are also reflected within this budget line.

8. Housing Subsidy

A total of £0.073m was paid to the subsidy pool in 2010/11 made up as follows:

Subsidy	**2010/11** **£000**
Prior year adjustment	70
Subsidy due to pool 2010/11-	
Mortgage interest receipts	3
Total Subsidy	**73**

The final subsidy claim for 2009/10 was certified by the external auditor on 23 December 2010. All outstanding amounts due in respect of the current and previous years have been paid to the subsidy pool.

9. Depreciation

The total charge made for depreciation for 2010/11 was £0.027m. The depreciation charge relates to the retained land and property for the period prior to appropriation to the General Fund.

In order to ensure depreciation does not impact on rent or Council tax payers and adjustment is made to reverse the charge out to the Capital Adjustment Account. Previously this reversal would have been effected via the Major Repairs Reserve.

10. Non Current Assets

At the start of the year Balance Sheet assets totalling £5.294m remained assigned to the HRA. The majority of these assets have now been appropriated to the General Fund as part of formal closure of the HRA.

A prior year adjustment of £0.250m has also been made for assets transferred to PCH but were not removed from the Balance Sheet in 2009/10. The adjustment shows as a loss on sale of HRA fixed assets within the HRA Income and Expenditure Statement. The cost of fixed assets is fully provided for under separate arrangements for capital financing and the loss is reversed out via the movement on the HRA statement and charged to the Capital Adjustment Account.

The table below shows the movement on the HRA assets during the year.

Fixed Assets	Other Land & Buildings £000	Vehicles & Plant £000	Infrastructure Assets £000	Community Assets £000	Investment Properties £000	Total HRA Assets £000
Net Book Value 1 April 10	805	206	64	79	4,140	5,294
IFRS reclassification	466				(466)	0
Restated Net Book Value 1 April 10	1,271	206	64	79	3,674	5,294
Movement in year						
PYA Transfer to PCH		(206)	(15)	(29)		(250)
Depreciation for the year	(27)					(27)
Appropriated to GF	(1,244)		(49)	(50)	(3,674)	(5,017)
Net Book Value 31 March 2011	**0**	**0**	**0**	**0**	**0**	**0**

11. HRA Arrears

Prior to transfer, the HRA received income from Council rents, service charges as well as income from shops on Council estates and general invoices raised for ad hoc works, including invoices raised to recover the costs of repairs to properties.

Whilst Council rent arrears and an element of service charge arrears were assigned to PCH on transfer date, the consideration paid fell short of the total outstanding.

Residual debt in respect of Council house rents as raised on the Housing rent system was in the main written off during 2009/10, leaving a balance of £0.039m in respect of retained properties at Raglan Court. As the arrears related to pre transfer tenancies this residual amount has also been written off in 2010/11.

Residual balances on accounts relating to transferred properties raised on the Council's sundry debtor system, including service charges and general debtor accounts for repairs to properties have been cleared from the debtors system by a write-off adjustment to the HRA bad debts provision account in 2010/11.

At 31 March 2011, HRA arrears stood at £0.238m.

The Council continues to reduce outstanding debtors for the possible uncollectability of debt. At the 31 March 2011, the balance on the provision stood at £0.219m.

The movement in the allowance during the year can be shown as follows:

Movement in allowance for uncollectability of debt	2010/11 £000
Balance 1 April	383
Provision in Year	12
Written off in Year	(44)
Account adjustments - final clearance of accounts transferred to PCH	(132)
Balance C/F 31 March	**219**

An analysis of the debt written off in year to the HRA provision is provided as follows:

HRA Debt write-offs	2010/11 £000
Housing Rents- Raglan Court pre tansfer tenancies	39
Sundry Debtors:	
Commercial rents	2
Repairs accounts	3
Total Write-offs in year	**44**

Following closure of the HRA, arrears will continue to be managed as part of the Council's overall arrears management arrangements and be reported within the General Fund totals.

12. Rents – Non dwellings

A sum of £0.053m was received by the HRA in relation to retained land and property prior to appropriation to the General Fund.

13. Capital Receipts from disposal of HRA Assets

During the year the Council received a total of £0.065m from the disposal of HRA assets as follows:

HRA Capital Receipts	2010/11 £000
Sale of Council Dwellings- repaid discounts	52
Repayment of Mortgage Principal	13
Total Receipts	**65**

In accordance with Right To Buy (RTB) legislation, discounts given on the sale of Council Dwellings remain subject to clawback for a period of up to 5 years should the property be sold. The repaid discounts relate to properties sold prior to transfer and therefore remain payable to the Council. The receipts are shown in the HRA Income and Expenditure Statement as other income and in accordance with Capital Financing Regulations, reversed out in the Statement of Movement on HRA balances to the Capital Receipts Account.

At 31 March 2011 the Council had 10 mortgages outstanding with outstanding debt of £43,423m. The Council's mortgages are administered by LAMAC and the annual fee charged is deducted from the receipts.

The Council is required to pay 75% of these receipts to CLG under the pooled receipt arrangements introduced in the Local Government Act 2003.

In 2010/11 the receipts were allocated as follows:

Allocation of Capital Receipts	2010/11
	£000
Useable receipts	15
Used for RTB admin - mortgage fees	6
Paid to DCLG under pooling requirements	44
Total Receipts	**65**

14. Interest Charge to HRA

The interest charge to the HRA Balance is calculated in accordance with annual Determinations issued by the CLG (the Item 8 Determination). All outstanding debt was repaid by CLG at transfer but a special determination for 2009/10 reflecting the change in debt during the year was not issued until October 2010. This has resulted in a prior year adjustment to interest charged for 2009/10 of £0.159m. The opposite entry is a credit to the General Fund interest account.

COLLECTION FUND FOR THE YEAR ENDED 31 MARCH 2011

This Account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

2009/10		Note	2010/11	
£000			£000	£000
	Income			
(91,127)	Council Tax Payers:	1		(93,510)
	Transfer from General Fund - Council Tax			
(19,454)	Benefits			(20,989)
(73,322)	Income Collectable from Business Ratepayers	2		(75,949)
(183,903)				(190,448)
	Expenditure			
	Precepts and Demands:	3		
92,845	Plymouth City Council		95,714	
11,453	Devon & Cornwall Police Authority		12,060	
5,310	Devon & Somerset Fire Authority		5,527	
109,608				113,301
	Non-Domestic Rates:			
73,015	Payment to National Pool		75,638	
307	Cost of collection allowance		311	
73,322				75,949
983	Provision for non payment of Council Tax	4		1,177
212	Collection Fund Surplus paid out in year			107
222	(Surplus)/Deficit for the year			86
54	(Surplus)/Deficit as at 1 April			276
276	**(Surplus)/Deficit as at 31 March**	5		**362**

NOTES TO THE COLLECTION FUND

1. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands based on an estimated 1 April 1991 value for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Devon & Cornwall Police Authority, Devon and Somerset Fire Authority and the City Council for the forthcoming year and dividing this by the Council Tax base -the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts and estimated collection rates: 76,899 for 2010/11 (76,750 in 2009/10).

This basic amount of Council Tax for a Band D property (£1,473.04 for 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due. The calculation of the Council Tax Base and an analysis of the income due are shown in the following tables:

Band	No of Properties Before Discounts	No of Properties After Discounts	Band D Equivalents	Estimated Collection Rate	Adjusted Band D Equivalents
A	46,215	37,403	24,927	98.50%	24,553
B	30,477	25,669	19,965	98.50%	19,666
C	21,520	18,781	16,694	98.50%	16,444
D	8,758	7,700	7,700	98.50%	7,585
E	4,467	4,039	4,937	98.50%	4,863
F	1,662	1,524	2,201	98.50%	2,168
G	560	453	755	98.50%	744
H	59	18	36	98.50%	35
	113,718	95,587	77,215		76,058
Adjustment for MOD Properties			841		841
Tax Base Totals			**78,056**		**76,899**

The Council Tax Base was calculated at the time the 2010/11 budget was set, based on the estimated number of properties and value of discounts applicable to each band at that time. The estimated income, allowing for non-collection, was £113.275m (76,899 x £1,473.04). In practice however, the average number of properties and values of discounts vary from the estimates, and the actual income increased to £114.499m made up of £20.989m from Council Tax Benefits and £93.510m from Council Tax Payers.

2. Income Collectable from Business Ratepayers

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies an annual multiplier, which was 41.4p in 2010/11 (48.5p in 2009/10) and subject to the effects of transitionary arrangements, local businesses pay rates calculated by multiplying their rateable value by the specified amount. A lower amount of 40.7p (48.1p in 2009/10) is applied to businesses with rateable values less than or equal to £17,999. The City Council collects rates due from the ratepayers in its area as an agent for the Government, paying the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to a local authority's General Fund as part of the settlement grant based on a fixed amount per head of population.

The NNDR income due, after reliefs and provisions, of £75.949m for 2010/11 (£73.322m in 2009/10) was based on a rateable value for the City Council's area of £226.852m for the year (£182.129m for 2009/10). The income is calculated as follows:

NNDR Income	2009/10 £000	2010/11 £000
Gross Debit (£215,458,742 x 41.4p for 2010/11)	84,735	89,200
Gross Debit (£11,393,137 x 40.7p for 2010/11)	3,567	4,637
Reliefs & Adjustments	(13,551)	(17,195)
Provision for Bad Debts	(1,429)	(693)
Income Collectable from Business Ratepayers	**73,322**	**75,949**

3. Precepts and Demands

The budgets of the City Council, Devon and Cornwall Police Authority and the Devon and Somerset Fire Authority are partly financed from the Council Tax. The sums required from Council Tax by the Council, Fire and Police Authorities are determined by each Authority as part of the budget process and are called demands (Council) and precepts (Fire and Police). The income from Council Taxpayers is paid into the Collection Fund and payments are made by the Collection Fund for the demands and precepts due to the Council, Fire and Police Authorities.

4. Provisions for Non Payment of Council Tax

Contributions are made from the Collection Fund Income and Expenditure Account to an Allowance for Non-Collectability of Debt (Bad Debt Provision) Account. During 2010/11 £1.177m (2009/10: £0.983m) was contributed to the Account and £0.657m (2009/10: £1.512m) of irrecoverable debt was written off. Costs raised for debt recovery are also included in the Council Tax Allowance for Non-Collectability of Debt Account with any costs paid in the year transferred to the General Fund to offset the cost of collection. The movement in the provision is as follows:

Movement in Council Tax Allowance for Non-Collectability of Debt Account	2009/10 £000	2010/11 £000
Balance brought forward	7,334	6,948
Contributions in year	1,775	1,938
Write Offs	(1,512)	(657)
Paid costs transferred to General Fund	(649)	(932)
Allowance for Non-Collectability of Debts @ 31st March	**6,948**	**7,297**
Costs included in provision made in year (met from GF)	792	761
Net provision to the Allowance for Non-Collectability of Debt Account for Council Tax Arrears made in year	**983**	**1,177**

The bad debt provision is required to be apportioned between the 3 authorities in proportion to their precept/demand on the collection fund. The Police and Fire authority's proportion of the allowance for non-collectability for debt is £1.131m leaving a balance of £6.166m to cover Plymouth City Council's proportion of Council Tax arrears. The Police and Fire elements are shown in the Council's Balance Sheet as a debtor.

The total Collection Fund allowance for non-collectability of debt is £6.794m as shown in note 17.2. This includes an allowance for non-collectability of Community Charge of £0.628m.

5. Distribution of Collection Fund Surpluses and Deficits

The net accumulated deficit on the Collection Fund at 31 March 2011 amounts to £0.362m, relating to Council Tax collection. This net deficit will be recovered from the City Council, Devon & Cornwall Police Authority and Devon & Somerset Fire Authority in 2011/12 and 2012/13 in proportion to each authority's demand/precept on the Collection Fund. A deficit of £0.028m had been forecast as part of the 2011/12 budget, and Plymouth's share of the assumed deficit of £0.024m was taken into account when setting

Council Tax levels for 2011/12. The shortfall will be addressed as part of setting the budget for 2012/13. The liability for the deficit of the £0.362m is as follows:

	£000
Plymouth City Council	324
Devon and Cornwall Police Authority	41
Devon and Somerset Fire Authority	(3)
Net Deficit	**362**

The deficit attributable to the Police and Fire authorities is included within the Council's Balance Sheet as a net debtor. The deficit attributable to Plymouth City Council has been treated as a debit on the Collection Fund Adjustment Account.

GROUP ACCOUNTS 2010/11

Introduction

Group Accounts combine the Accounts of the Council with those of any other organisations that have been assessed as group members. Group members are organisations where the authority has a material interest and a significant influence. Plymouth City Council has analysed its relationship with a number of organisations and is submitting Group Accounts incorporating the following subsidiaries, associates and joint ventures.

Subsidiaries

Plymouth Investment Partnerships Limited (PIP)

PIP was set up by the Council in 1988 to invest in the promotion, assistance and establishment of businesses to improve the employment and economy of Plymouth and its surrounding area. The Company is limited by guarantee. As all of its five directors are Plymouth City Council Members, the Council's interest is 100%. All the directors and members of the Company are guarantors of the Company to the extent of £1 each. On dissolution, the assets and liabilities will be transferred to Plymouth City Council. At 31 March 2011 the Company had net assets of £1.705m.

Full accounts may be obtained from:

Mr N Flay
Group Accountant
Department for Corporate Support
Plymouth City Council
Civic Centre
Plymouth, PL1 2AA

Theatre Royal (Plymouth) Limited

The Theatre Royal has been removed as a subsidiary with effect from 1st October 2010 following the resignation from the Board of all Council members. The group accounts therefore include a six month income and expenditure position for the Theatre and all assets and liabilities have been written out of the group Balance Sheet.

Associates

PLUSS Organisation Limited

PLUSS is a Company established in August 2005. It is a Local Authority controlled company and at 31 March 2006 the company had three members - Plymouth City Council, Devon County Council and Torbay Council. In July 2006, Somerset County Council became an additional member of the Company, giving each member equal voting rights of 25%. Its primary purpose is the provision of employment and work related services for people with disabilities. It is limited by guarantee, has no share capital and has 10 directors of which 1 is a member of Plymouth City Council. The company was established following the transfer of services previously delivered through the Social Services departments of Plymouth City Council, Devon County Council and Torbay Borough Council. At 31 March 2011 the Company's net assets totalled £0.866m.

Full accounts may be obtained from:

Mr Paul Love
2nd Floor
Basepoint Business Centre
Yeoford Way
Marsh Barton
Exeter
EX2 8LB

Joint Ventures

Tamar Bridge and Torpoint Ferry Joint Committee

The operation, maintenance and control of the Tamar Bridge and Torpoint Ferry are carried out by the Tamar Bridge and Torpoint Ferry Joint Committee on behalf of Plymouth City Council and Cornwall Council. Income and expenditure, together with surpluses, deficits and reserves etc. are shared between the Constituent authorities on a 50/50 basis. At 31 March 2011 the net assets of the Joint Committee were £209.107m, including a General Fund Balance of £2.042m.

Full accounts may be obtained from:

Corporate Support
Cornwall Council
New County Hall
Truro
TR1 3AY

Tamar Science Park Limited

The Council entered a joint venture agreement with the University to manage Tamar Science Park in March 2010. This company has now been included within the group accounts and the Balance Sheet for 2009/10 has been restated to include the relevant assets and liabilities of the company.

Tamar Science Park Ltd is a company limited by guarantee. The members of the Company are Plymouth City Council and the University of Plymouth. The principal activities of the Company are the continued development of the Tamar Science Park, the letting of units to knowledge based businesses and the provision of support, advisory and facilities management services hereto. At 31 March 2011 the Company had net assets of £10.925m.

Full accounts may be obtained from:

Mr I G Pearce
1 Davy Road
Derriford
Plymouth
PL6 8BX

SUPPLEMENTARY STATEMENT OF ACCOUNTING POLICIES RELEVANT TO GROUP ACCOUNTS

The following statements of accounting policies are complementary to Plymouth City Council's main section on accounting policies. These cover those policies that are unique to the Group statements or where they differ from the Council's policies as an individual entity.

Basis of Consolidation

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and its subsidiary Plymouth Investment Partnerships Limited (PIP).
PLUSS Organisation Limited has been incorporated as an associate, using the equity method – the Council's investment in the Company is incorporated at cost and adjusted each year by the Council's share of the Company's results (recognised in the Group Comprehensive Income and Expenditure Account) and its share of other gains and losses.

Tamar Bridge & Torpoint Ferry Joint Committee and Tamar Science Park Limited have been consolidated as joint ventures.

For the Theatre Royal, the group accounts include a six month income and expenditure position and all assets and liabilities have been written out of the group Balance Sheet and included as a discontinued operation.

The financial statements in the Group Accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 49– 68 with the following additions and exceptions:

The groups have been consolidated into the group accounts based on unaudited accounts.

1. Value Added Tax

VAT paid by other group entities is accounted for in the Group Income and Expenditure Account to the extent that it is irrecoverable from HM Revenue and Customs.

2. Property Plant and Equipment

Disposals

Profits and losses on the disposal of fixed assets are credited or debited to the Group Income and Expenditure Account.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's share of Reserves of subsidiaries and Joint Ventures £000	Total Reserves £000
Balance at 1 April 2009	**11,740**	**34,952**	**2,042**	**0**	**5,376**	**237**	**19,045**	**73,391**	**650,068**	**723,459**	**117,331**	**840,790**
Movement in reserves during 2009/10												
Surplus or (deficit) on the provision of services	(517,344)	0	0	0	0	0	0	**(517,292)**	0	(517,292)		**(517,292)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	**0**	(72,422)	(72,422)	**6,427**	**(65,995)**
Total Comprehensive Income and Expenditure	**(517,344)**	**0**	**0**	**0**	**0**	**0**	**0**	**(517,292)**	**(72,422)**	**(589,714)**	**6,427**	**(583,287)**
Adjustments between Group Accounts and Authority accounts	**52**										**(3,593)**	**(3,593)**
Net Increase/Decrease before Transfers	**(517,292)**	**0**	**0**	**0**	**0**	**0**	**0**	**(517,292)**	**(72,422)**	**(589,714)**	**2,834**	**(586,880)**
Adjustments between accounting basis & funding basis under regulations	510,792	0	0	0	15,982	(9,492)	1,177	**518,459**	(519,978)	(1,519)		**(1,519)**
Net Increase/Decrease before Transfers to Earmarked Reserves	**(6,500)**	**0**	**0**	**0**	**15,982**	**(9,492)**	**1,177**	**1,167**	**(592,400)**	**(591,233)**	**2,834**	**(588,399)**
Transfers to/from Earmarked Reserves	6,279	(6,366)	(250)	0	0	9,255	0	**8,918**	(8,921)	(3)	**0**	**(3)**
Increase/Decrease in 2009/10	**(222)**	**(6,366)**	**(250)**	**0**	**15,982**	**(237)**	**1,177**	**10,085**	**(601,321)**	**(591,236)**	**2,834**	**(588,402)**
Balance at 31 March 2010 carried forward	**11,518**	**28,586**	**1,792**	**0**	**21,358**	**0**	**20,222**	**83,476**	**48,747**	**132,223**	**120,165**	**252,388**
Movement in Reserves during 2010/11												
Surplus or (deficit) on provision of services	(22,558)	0	0	0	0	0	0	**(16,299)**	0	(16,299)		**(16,299)**
Other Comprehensive Income and Expenditure		0	0	0	0	0	0	**0**	170,725	170,725	**(2,112)**	**168,613**
Total Comprehensive Income and Expenditure	**(22,558)**	**0**	**0**	**0**	**0**	**0**	**0**	**(16,299)**	**170,725**	**154,426**	**(2,112)**	**152,314**
Adjustments between Group Accounts and Authority accounts	**6,259**										**(6,117)**	**(6,117)**
Net Increase/Decrease before Transfers	**(16,299)**	**0**	**0**	**0**	**0**	**0**	**0**	**(16,299)**	**170,725**	**154,426**	**(8,229)**	**146,197**
regulations	19,339	0	0	0	932	0	(6,451)	**13,820**	(13,820)			**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**3,040**	**0**	**0**	**0**	**932**	**0**	**(6,451)**	**(2,479)**	**156,905**	**154,426**	**(8,229)**	**146,197**
Transfers to/from Earmarked Reserves	(3,146)	4,571	(1,792)	0	200	0	0	**(166)**	167	(0)	**0**	**(0)**
Increase/Decrease in Year	**(105)**	**4,571**	**(1,792)**	**0**	**1,132**	**0**	**(6,451)**	**(2,645)**	**157,072**	**154,426**	**(8,229)**	**146,197**
Balance at 31 March 2011 carried forward	**11,413**	**33,157**	**0**	**0**	**22,490**	**0**	**13,771**	**80,831**	**205,819**	**286,650**	**111,936**	**398,586**

Comprehensive Income and Expenditure Account

2009/10 Net Expenditure £000		Note	2010/11 Gross Expenditure £000	2010/11 Gross Income £000	2010/11 Net Expenditure £000
72,779	Adult Social Care		93,735	(20,005)	73,730
5,313	Corporate & Democratic Core		5,425	(81)	5,344
60,272	Cultural, Environmental, Regulatory & Planning Services	3	84,927	(24,434)	60,494
4,788	Central Services to the Public		28,014	(23,485)	4,529
112,035	Childrens And Education Services		357,715	(220,293)	137,422
6,148	Housing Services		108,164	(94,611)	13,553
1,693	Housing Revenue Account		(752)	(28)	(780)
14,433	Highways & Transport Services		28,906	(11,455)	17,451
7,523	Non Distributable Costs		3,534	(92,112)	(88,578)
284,984	**Surplus/Deficit on Continuing Operations**		**709,668**	**#######**	**223,165**
461,501	Gain or Loss on Disposal of Fixed Assets		26,264	(1,437)	24,827
(1,508)	Other operating Expenditure		114	(2,029)	(1,915)
10,329	- other Income (Loss of Control of Subsidiary)		9,275	0	9,275
(6,232)	- other Income (Gain on consolidation of joint venture)		0	0	0
20,618	Financing and Investment Income and Expenditure		78,316	(47,430)	30,886
0	Surplus or Deficit of discontinued Operations		5,830	(7,304)	(1,474)
(252,229)	Taxation and Non-Specific Grant Income		212	(261,141)	(260,929)
517,463	**Surplus or Deficit on Provision of Services**		**829,679**	**#######**	**23,835**
(80)	Share of the surplus or deficit on the provision of services by associates				(1,433)
0	Tax expenses of subsidiaries				0
(39)	Tax expenses of associates				155
517,344	**Group Surplus / Deficit**				**22,557**
(28,782)	Surplus or deficit on revaluation of fixed assets				(19,573)
0	Actuarial gains / losses on pension assets / liabilities				0
101,204	Actuarial Gains / losses on pension assets / liabilities				(153,264)
0	Share of other comprehensive income and expenditure of associates and joint ventures				
72,422	**Other Comprehensive Income and Expenditure**				**(172,837)**
589,766	**Total Comprehensive Income and Expenditure**				**(150,280)**

The Group Balance Sheet has been restated as at 31 March 2010 to reflect Tamar Science Park. See note 2.

GROUP BALANCE SHEET AT 31ST MARCH 2011

Restated 31st March 2010 £000		Note	31st March 2011 £000
704,860	Property Plant and Equipment	4	639,877
87,296	Investment Property		78,025
1,783	Intangible Assets		1,646
29,088	Long Term Investments		11,920
109,265	Investments in Associates & Joint Ventures		110,233
1,336	Long Term Debtors	5	731
933,629	**Long Term Assets**		**842,432**
46,288	Short Term Investments		61,122
533	Stock		569
48,651	Short Term Debtors	5	35,196
84,396	Cash and Cash Equivalents		93,128
2,510	Assets Held for Sale		3,057
	LATS		875
182,378	**Current Assets**		**193,947**
(76,918)	Short Term Borrowing		(96,952)
(76,206)	Short Term Creditors	6	(60,317)
0	Holding Accounts to Sort		0
(3,006)	Short Term Provisions		(2,907)
(156,130)	**Current Liabilities**		**(160,176)**
(20,661)	Long Term Creditors	7	(18,757)
(8,916)	Long Term Provisions		(7,879)
(160,348)	Long Term Borrowing		(193,991)
(68,181)	Other Long Term Liabilities		(34,780)
(449,381)	Long Term Liabilities Pensions		(222,212)
(707,487)	**Long Term Liabilities**		**(477,619)**
252,388	**Net Assets**		**398,586**
85,973	Total Usable Reserves		76,692
166,415	Total Usable Reserves		321,894
252,388	**Total Reserves**		**398,586**

Group Cash Flow Statement for the Year Ended 31 March 2011

2009/10 £000		2010/11 £000
(517,464)	Net (surplus) or deficit on the provision of services	(23,836)
1,951,511	Adjustment to net surplus or deficit on the provision of services for non-cash movements	439,621
(65,518)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(415,395)
1,368,529	**Net cash flows from operating activities**	**391**
(1,266,451)	Investing Activities	(19,730)
(48,627)	Financing Activities	25,664
53,451	**Net increase or decrease in cash and cash equivalents**	**6,325**
30,945	Cash and cash equivalents at the beginning of the reporting period	74,500
84,396	**Cash and cash equivalents at the beginning of the reporting period**	**80,825**

NOTES TO THE GROUP ACCOUNTS

The notes to the single entity accounts, pages (49 - 163) apply equally to the Group Accounts. These notes provide additional information and analysis where required.

1. Restatements

The 2009/10 single entity accounts have been restated to reflect the changes required under the International Financial Reporting Standards (IFRS). Details of the restatements outlined in note 2 there have been no restatements to the individual group accounts as a result of IFRS. The Group accounts for 2009/10 have been restated to reflect the joint venture agreement that the Council entered into with the University to manage Tamar Science Park in March 2010. A total net value of £6.2m has now been added to the group Balance Sheet. This company has now been included within the group accounts and the Balance Sheet for 2009/10 has been restated to include the relevant assets and liabilities of the company.

2. Tamar Science Park

Following a new funding agreement signed in March 2010, Tamar Science Park has been brought into the Group Accounts as a Joint Venture. The assets brought into the balance sheet for 2009/10 are as follows:

Tamar Science Park	**Restated 2009/10**
	£000
Fixed Assets	7,740
Current Assets	231
Current Liablilities	(168)
Long term creditors	(1,571)
	6,232

3. Discontinued Operations

The Theatre Royal has been removed as a subsidiary with effect from 1st October 2010 following the resignation from the Board of all Council members. The group accounts therefore include a six month income and expenditure position for the Theatre and all assets and liabilities have been written out of the group Balance Sheet.

4. Cultural, Environmental Regulatory & Planning Services

The Council is required to provide a breakdown of the type of services it provides. Other members of the Group also provide similar services and these are illustrated in the table below.

Cultural, Environmental & Planning Services	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
	£000	**£000**	**£000**
Plymouth City Council	84,773	(24,015)	60,758
Plymouth Investments Partnerships Ltd	154	(419)	(264)
	84,927	**(24,434)**	**60,494**

5. Property Plant and Equipment

PPE	**Restated 2009/10**	**2010/11**
	£000	**£000**
Plymouth City Council	693,990	638,367
Theatre Royal	9,690	0
Plymouth Investment Partnerships Ltd	1,180	1,510
	704,860	**639,877**

The end of year Debtors and Creditors balances for the Council and the subsidiary members of the Group are shown below for years 2009/10 and 2010/11. All balances have been adjusted to remove inter-group transactions.

6. Short Term Debtors

Short Term Debtors	Restated 2009/10	2010/11
	£000	**£000**
Plymouth City Council	47,874	35,173
Theatre Royal	751	0
Plymouth Investment Partnerships Ltd	26	23
	48,651	**35,196**

7. Creditors

Creditors	Restated 2009/10	2010/11
	£000	**£000**
Plymouth City Council	(71,559)	(60,302)
Theatre Royal	(4,599)	0
Plymouth Investment Partnerships Ltd	(48)	(15)
	(76,206)	**(60,317)**

INDEPENDENT AUDITORS REPORT TO MEMBERS OF PLYMOUTH CITY COUNCIL

These accounts have been issued subject to Audit. The Auditor is required to report on his findings by a statutory date of 30 September 2011

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GLOSSARY OF FINANCIAL TERMS

Accounting Policies

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented. Accounting policies do not include estimation techniques.

Accruals

The concept that income and expenditure is recognised as it is earned or incurred, not as money is received or paid.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or the actuarial assumptions have changed.

Actuary

An expert on long term pension scheme assets and liabilities. Actuaries make recommendations every 3 years regarding the rate of employer contributions due to the LG pension scheme.

Amortisation

The writing down of a balance in the accounts over a specified period to signify the 'using up' of the benefit to the Authority of the expenditure or income. For example the use of tangible assets are writtem down to remove (amortised) over the number of years it is intended to use the asset.

Amortised Cost

Amortised cost (in relation to Financial Instruments) is the carrying amount on initial recognition plus the interest taken to Income and Expenditure less cash paid or received for both interest and principal.

Area Based Grant

A grant introduced in April 2008 that replaced a number of specific grants. However, it is not ring fenced and no conditions on its use are prescribed.

Assets under Construction

The Capital Programme is a rolling programme, which means that all projects started in the financial year are not necessarily completed within the financial year. The Authority does not recognise an asset as a fixed asset until financial completion. Until that time the asset is shown on the face of the Balance Sheet at the value completed to the close of the financial year as an asset under construction and no capital charges are incurred on assets of this status.

Associate

For the purpose of the group accounts, an associate is an organisation in which the Council has an interest by way of an investment and is able to exercise significant influence, but not total control, usually determined by voting rights held by the Council on relevant Boards. A group will be classified as an associate if voting rights are less than 50% but more than 20%.

Balance Sheet

The accounting statement, which sets out the Authority's total net assets and how they were financed.

Business Improvement District (BID)

The Plymouth Business Improvement District (BID) is a precisely defined geographical area of Plymouth City Centre. Businesses in this BID area have voted to invest collectively in local improvements to enhance their commercial environment. The purpose of the BID is to provide new or expanded works, services and environmental enhancements, funded by a BID levy charge which is payable by all business rate payers in the BID area, collected by Plymouth City Council and is ring-fenced.

Budget

A statement of the Authority's plans for net revenue expenditure over a specified time period.

Capital Adjustment Account

This account contains the amounts to be set aside to repay debt and the amount of capital expenditure financed from capital receipts and revenue. It also contains the difference between the amounts provided for depreciation, the amount of minimum revenue provision, amounts of Government grants amortised and revaluations prior to 1 April 2007.

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset. The benefit to the Authority of such expenditure is generally greater than one year.

Capital Programme

The Council's plan of capital projects and spending over future years. Included in this category are the purchase of land and buildings, the erection of new buildings and works, design fees and the acquisition of vehicles, plant and major items of equipment, as well as support to other organisations/residents for works of a capital nature.

Capital Receipts

Income from the sale of land and buildings or other assets and loan repayments. Capital Receipts can only be used to finance other capital expenditure or to repay outstanding debt on assets financed from loan. In addition, a proportion of HRA capital receipts must be paid over to Central Government for redistribution via a 'pooling' arrangement.

Capitalisation Direction
An Authority can apply to the Secretary of State for a Capitalisation Direction, which is an approval to allow certain revenue items to be funded from capital resources, usually borrowing or capital receipts.

Cash Flow Statement

Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the leading accountancy body for the public sector. The Statement of Accounts is prepared in accordance with the codes of practice published by CIPFA.

Collection Fund

This is a separate statutory fund, which details the transactions in relation to national non-domestic rates (NNDR) and the Council tax, and the distribution to preceptors and the General Fund. It is consolidated with the other accounts in the Consolidated Balance Sheet.

Community Assets

Assets that the local authority intends to hold in perpetuity, that have no determinable and useful life (where useful life is defined as a period of time over which the Authority benefits from the use of the asset) and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Componentisation

An asset may consist of several different and significant physical components eg separating the operating rent and fixtures from the actual building itself. If these components have substantially different lives then each component is depreciated separately over its individual useful life.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next one is the same.

Contingent Asset

A contingent asset is a possible asset arising from a past event from which the Council may benefit, but this remains subject to uncertainty and matters outside of the Councils control.

Contingent Liability

A contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core (CDC)

The Corporate and Democratic Core represents the cost of the authority's Corporate Management (CM) and Democratic Representation and Management (DRM).

CM – those activities and costs that provide the infrastructure that allows services to be provided, whether by the authority or not and the information required for public accountability.

DRM - This includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.

Council Tax

A local taxation based on historic property valuations resulting in various banded charges chargeable on a property basis, collected via the local authority and used in conjunction with other revenue income streams (Revenue Support Grant) to fund local revenue expenditure.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Assets and Liabilities

Current assets are amounts owed to the Council and due for payment within 12 months, or items that can readily be converted into cash. Current liabilities are amounts that the Council owes to others and are due to be paid within 12 months.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtors

Amounts owed to the Council at 31 March where services have been delivered but payment has not been received.

Dedicated Schools Grant (DSG)

A ring fenced grant given to Local Authorities to meet expenditure directly incurred by schools and or held centrally to meet schools related expenditure.

Deferred Liabilities

Money owed by the Council which by arrangement are payable beyond the next year at some point in the future or paid off by annual sum over a period of time. Most deferred liabilities relate to PFI or lease arrangements.

De-Minimus Capital Expenditure

This is the term given to items of capital expenditure below a certain value that may be properly capitalised by local authorities (i.e. meets the statutory definition of Capital Expenditure) but where the authority has chosen not to add to its asset register. De-minimus capital expenditure is charged to the relevant revenue account in the year it is incurred.

Depreciation

The measure of cost or revalued amount of an asset assume to have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of the asset whether arising from use, passing of time or obsolescence through either changes in technology or demand, for the goods and services produced by the asset.

Derecognition

The term used for the removal of an asset or liability from the Balance Sheet.

Direct Revenue Financing

The amount of capital expenditure financed directly from revenue, rather than loans or other capital funds.

Effective Interest Rate (financial instruments)

The rate of interest that is necessary to discount the estimated stream of principal and interest cash flows through the expected life of the financial instrument.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately, by virtue of their size or incidence, to give fair presentation of the accounts.

Fair value (financial instruments)

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Fair value (Fixed Assets)

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Depending on the asset, this could be interpreted to mean existing use value (EUV) or market value.

Financial instrument

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The definition covers treasury management activity, including borrowing and lending of money and the making of investments. It also covers things such as receivables (debtors), payables (creditors) and financial guarantees.

General Fund

The main revenue fund from which day-to-day spending on services is met. Government Grants
Sums of money paid by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority. Government grants fall into two categories; general (where the authority has discretion over their use), or specific (where they must be used for certain items of expenditure under the conditions of the grant).

Heritage Assets

An Heritage Asset is one with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained by the Council principally for its contribution to knowledge and culture. Heritage Assets can be either tangible or intangible in nature.

Housing Benefits Overpayments

Overpayments made to clients receiving housing benefit which are recoverable by the authority.

Housing Revenue Account (HRA)

This is a statutory account maintained separately from General Fund services. It includes all revenue expenditure and income relating to the provision, maintenance and administration of Council Housing and associated areas.

Impairment

This is the term used to describe a reduction in the value of a fixed asset mainly due to a significant decline in its market value or evidence of obsolescence or physical damage.

Impairment Review

A review undertaken annually to assess whether there has been any impairment to its asset or asset value in the period.

Infrastructure Assets

Fixed assets which by their very nature cannot be sold and therefore expenditure can only be recoverable by continued use of the asset created, e.g. coastal defences, highways and footpaths.

Intangible Assets

Non-financial assets which do not have physical substance but are identified and controlled by the Council through legal rights e.g. IT software.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be classed as current assets.

Joint Ventures

For the purpose of group accounts, a joint venture is an organisation in which the Council has an interest and is able to exercise significant influence but only with the unanimous agreement of the other parties with and interest in the organisation.

Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme began on 1 April 2005, and is a system of tradable permits that has been introduced in England to reduce the amount of Biodegradable Municipal Waste (BMW) sent to landfill. Each Waste Disposal Authority is allocated permits that allow it to landfill BMW up to the number of permits it holds. Authorities can purchase more permits or pay a fine in order to landfill BMW above their permits, or can sell excess permits to other Waste Disposal Authorities.

Lease

A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not be eventually transferred to the lessee. An operating lease is a lease other than a finance lease.

Lenders Option Borrowers Option Loans (LOBOs)

Lenders Option Borrowers Option Loans (LOBOs) are loans where, after an initial period of fixed interest, and at agreed intervals thereafter, the lender has the option to increase the rate. The borrower then has the option to continue at the higher rate or repay the loan incurring no penalty.

Loans Outstanding

Amounts borrowed to finance capital expenditure which is yet to be repaid.

Local Government Reorganisation (LGR)
The 1997/98 change of local government boundaries resulted in the creation of Unitary Authorities. Plymouth City Council became a unitary authority on 1 April 1998, taking over services within the city, which were previously administered by Devon County Council (the two main services being Education and Social Services). There are some ongoing transactions between the two authorities, for Plymouth's share of liabilities pre-dating the 1 April 1998, including enhanced pension payments.

Market Value

A method of valuing a fixed asset in relation to current market conditions.

Minimum Revenue Provision (MRP)

Represents the statutory minimum amount that must be charged to a revenue account in each financial year to repay external borrowings.

National Non-Domestic Rates (NNDR)

Local businesses are subject to a business tax, referred to as the National Non-Domestic Rate. Poundage is set annually by the Government, collected by local authorities and paid into a national pool. The proceeds are then redistributed by Central Government as a grant to authorities in accordance with a government formula.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non Current Assets

Expenditure that yields benefits for a period of more than one year.

Non Distributed Costs (NDC)

This is a service heading within the Income and Expenditure Account, which bears costs, which would otherwise distort the cost of the frontline services. CIPFA dictates what can be charged to NDC as follows past service costs, settlements, curtailments in relation to pension costs, costs associated with unused shares of IT facilities, cost of shares of other long term unused but unrealisable assets.

Non-Operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operational Assets

Fixed assets held, occupied, used or consumed by the local authority in the direct delivery of those services for which it as either a statutory or discretionary responsibility, or for the service or strategic objectives or the authority.

Out-turn

The final actual expenditure and income in a given period.

Pension Interest Costs

The amount needed to unwind the discount applied when calculating the current service cost. As scheme members are one year older and one year closer to receiving their pension, the provision made at present value in previous year need to be uplifted by a years discount to keep pace with current values.

Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Responsible Financial Officer.

Precept

The amount of Council Tax income required by precepting authorities (see below) to provide their services. It is levied on Council Tax billing authorities, who are required to collect income from Council Taxpayers on their behalf.

Precepting Authority

An authority that sets a precept to be collected by a billing authority. Plymouth City Council collects precepts on behalf of Devon and Cornwall Police Authority and Devon and Somerset Fire Authority.

Prior Year Adjustments

Those material adjustments, applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Private Finance Initiative (PFI)

PFI is a generic term used to describe a wide variety of arrangements under which assets and services are provided by the private sector and paid for by the Council under a long term performance related contract.

Provisions

Sums of money set aside from revenue accounts to meet any liabilities or losses which are likely to be incurred, or will be incurred, but the amount or the dates on which they will arise is uncertain. The Authority's main provisions are maintained for bad debts and insurance purposes.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Prudential Code

The refers to the CIPFA Prudential Code for Capital Finance in Local Authorities which outlines the guidance applicable from 1 April 2004 for the greater freedom for Councils to borrow to fund capital investment (under the Local Government Acts 2003), subject to compliance.

Public Works Loans Board

Public Works Loans Board (PWLB) -a statutory body operating within the United Kingdom, which provides long term loans to Local Authorities.

Related Party

A third party involved with the Council where they are able to exert influence or control over the Council or are subject to influence or control by the Council.

Related Party Transactions

The transfer of assets or liabilities, or the provision of services to or for a related party, irrespective of whether a charge is made.

Reserves

Sums of money set aside to meet general or specific future liabilities.

Revaluation Reserve

A new reserve set up from 1 April 2007 to account for gains on the revaluation of assets not yet realised through sales.

Revenue Account

An account that records an authority's day to day expenditure and income on such items as salaries and wages, running costs of services and the financing of capital expenditure.

Revenue Expenditure

Spending on day to day expenses consisting mainly of employees, running costs of buildings and equipment and capital financing costs.

Revenue Support Grant

A general grant from the Government received by the authority calculated by reference to a complex formula to support the delivery of the authority's services.

Right to Buy (RTB)

A scheme whereby Council tenants are allowed to purchase their own homes.

Section 106 Receipts

Contributions from developers towards mitigating the effects of a development. These 106 contributions may be, for example, for additional education provision, playgrounds or transport infrastructure.

Section 151 Officer

The Council's Officer designated under section 151 of the Local Government Act 1972 to take overall responsibility for the financial administration of the local authority. In Plymouth this is the Director for Corporate Support.

Specific Grants

Central Government grants towards specific services, usually calculated on a fixed percentage basis, for particular services.

Soft Loan

A soft loan arises where an authority makes a loan to another entity at less than the prevailing rate of interest, were a service objective would justify the authority making a concession.

Stocks

Comprise the following categories, goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long term contract balances and finished goods.

Subsidiary

For the purpose of Group Accounts, a subsidiary is an organisation over which the Council is able to exercise control in respect of its operating and financial policies, and from which the Council is able to gain benefits or is exposed to the risk of potential losses.

Temporary Borrowing

Borrowing for a temporary purpose, for a period of usually less than 1month, usually to cover cash flow.

Useful Life

The period over which the local authority will derive benefits from the use of an asset.

Working Balances

The accumulated surplus of income over expenditure. The authority holds working balances for the General Fund, Housing Revenue Account and Collection Fund. Balances on the General Fund and a share of the Collection Fund can be used to reduce future Council Tax increases